NATIONAL FOREST INVESTMENT ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
TAXATION AND DEBT MANAGEMENT

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 1141

SEPTEMBER 1, 1982

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NATIONAL FOREST INVESTMENT ACT

WEDNESDAY, SEPTEMBER 1, 1982

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
Missoula, Mont.

The subcommittee met, pursuant to notice, at 9:30 a.m., in the conference room of the Federal Building, 200 East Broadway, Missoula, Mont., Hon. Max Baucus presiding.

Present: Senators Baucus and Symms.

Also present: Steven R. Rovig, legislative counsel to Senator Baucus; and William Fay, legislative director for Senator Symms.

[The opening statement of Senator Max Baucus, an article from the Congressional Record, and the bill S. 1141 follows:]

NEWS

SENATOR MAX BAUCUS

FOR RELEASE: IMMEDIATE
August 22, 1982

CONTACT: John Flink
(202) 224-2651

BAUCUS HEARING FOCUSES ON IMPROVING NATIONAL FORESTS

HELENA -- A Senate committee will examine ways to improve federal forests at a September 1 hearing in Missoula, accordiing to Montana Senator Max Baucus, who will co-chair the session.

Baucus said the hearing will begin at 1 p.m. in the Conference room of the Missoula federal building.

"Unemployment in western Montana is running at record levels," Baucus said. "Unemployed timber industry workers could be put to work improving the national forest timber stands, watershed, grazing land and recreational facilities."

Baucus said he has introduced legislation that would earmark part of the federal government's fees from timber sales, grazing permits, recreation and other activities in the national forests for reforestation and other improvements.

"This legislation would ensure that the timber cut each year is replaced," Baucus said. "Almost all the easy-to-reach high yield timber has been cut."

"These areas should be reforested first, otherwise there will be strong pressure to build new roads into the remaining roadless areas and begin logging there," Baucus said.

Baucus said witnesses at the hearing, being held by the Senate Finance Committee, will include represenitives from the timber industry, labor, environmental, recreation and grazing organizations. State and federal officials also will testify.

Senator Steve Symms, R-Idaho, will co-chair the hearing.

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United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, FIRST SESSION

Vol. 127 WASHINGTON, THURSDAY, MAY 7, 1981 No. 69

Senate

By Mr. BAUCUS:

S. 1141. A bill to establish the National Forest Investment Fund, and for other purposes; to the Committee on Finance.

NATIONAL FOREST INVESTMENT FUND ACT

● Mr. BAUCUS. Mr. President, whether the owner of a corner grocery store or the President of a multinational corporation, every successful businessman knows that timely, adequate capital investment assures the long-term prosperity of any enterprise. Unfortuantely, Uncle Sam, as chief executive officer of our National Forest System, has not applied that lesson.

Our national forests, almost 190 million acres in size, yield over $1 billion annually in revenues from timber, minerals, grazing, and other commodities and services. Unlike most revenue producing businesses, however, Congress has never linked these revenues to capital improvements to assure continuous, sustained yield productivity. The result has been a backlog of reforestation activities, timber sale preparation, road construction, grazing land improvements, and a variety of other investment requirements necessary to maintain efficient management of these forest and range lands.

Accordingly, I am today introducing the National Forest Investment Fund Act which proposes a fiscally responsible way to insure that our national forest productivity is sustained at an optimal level. The bill would accomplish three objectives. First, revenues generated by the national forests would be placed in one fund. Second, the fund would be applied through appropriations for lasting capital improvements. Third, the measure would require the establishment of a capital expenditures budget as part of the Resources Planning Act.

FOREST REVENUES

Our National Forest System is a critical element of the American economic picture. With nearly one-tenth of our land base included in the national forests, well over $1 billion annually flows into the Treasury as a result of activities on the forests. This sum includes grazing fees, recreational property lease payments, mineral revenues, and timber sales. The National Forest Investment Fund Act would identify and collect all revenues into a single fund.

Frankly, somewhat similar proposals have been made in the past. Congress has not favored them because they either circumvented the appropriations process or applied the funds to only certain improvements. This bill is designed to function totally within the appropriations process. It provides for capital investment on a sound, economic basis.

Under this bill, funds would be expended for forest capital improvement only where appropriated by Congress. As a result, the fund would not foster unneeded or wasteful expenditures. Unappropriated funds remaining for a period of 4 fiscal years would transfer to the general fund.

The upshot of this approach is that a mechanism is provided to consider critical long-term investment needs. By competing with other spending measures as part of the appropriations process, however, the investment will be placed within the priority setting process. Excessive proposals will thus be weeded out while cost-efficient programs will be funded.

INVESTMENT REQUIREMENT

While I will not attempt to catalog the capital improvements needed on our national forests, I do wish to stress that this bill will not result in make-work projects, endless planning nor pointless paper shuffling. Funds identified under the terms of this act would, instead, be restricted to resource improvements such as reforestation timber stand improvement, watershed development, grazing land rehabilitation, wildlife management, recreational facilities development, and road construction.

Revegetation of our national forests provides a case in point. With 190 million acres of forest and rangeland in our National Forest System, the timber produced on these lands makes a very significant contribution to the American wood products industry. In addition to this timber resource, however, our national forests also yield some 4 million acre feet of quality water each year, provide critical fish and wildlife habitat, supply grazing for almost 4 million head of livestock, and accommodate 200 million recreational visitors.

Yet, despite the obvious benefits yielded to the Nation as a whole, budget requests for capital improvements such as reforestation have lagged behind in every recent administration. We not only have this sort of a backlog, but, more critically, our national forests are growing only two-thirds of the wood and one-half of the forage they are capable of producing.

Failure to make the needed investment to develop these millions of acres to productivity is undeniably shortsighted. At a time when Congress is actually seeking a balance of payments in our foreign trade, for instance, there is no excuse for this Nation, one of the most efficient producers of timber resources in the world, to be a net importer of forest products. By bringing our timber lands up to full capacity, the economy as a whole will benefit in the long haul.

While reforestation is a pressing need of our national forests, by no means is it the only one. The rangelands in the National Forest System have, for example, the capability to produce almost twice the amount of forage now grown on them. With the mounting costs of feed for cattle and sheep, greater availability of natural forage from our forest lands can have significant benefits for producers and consumers. Again, the key to this greater productivity is investment.

The same case can be made for road and trail improvements designed for forest protection and maintenance, for water development to supply downstream irrigation and municipal water requirements, and for recreational facilities. Regrettably, when budgets are cut, capital outlays are often the first targets for deferral. Because the damage done by long-term neglect is easier to overlook, short-term concerns generally win out. This bill will begin to reverse that unfortunate pattern.

CAPITAL EXPENDITURES BUDGET

The final objective of this piece of legislation is to refine provisions of the Resource Planning Act of 1974 to require the Forest Service to prepare a separate capital expenditures budget in a long-range assessment of the current and future capital investment needs of the National Forest System. This approach will recognize that many of the capital investment needs of the national forests are long-term and continuing in nature. For Congress, in cooperation with the President, to successfully direct national forest policy, budgetary information must recognize this "real world" situation.

In fact, as originally enacted, the Resource Planning Act attempted to focus on annual operating needs for multiple use management together with an equally sharp focus on the capital investment needs of our National Forest System. Nonetheless, the budgets presented by the Forest Service to date have failed to differentiate between operating activities and capital investments.

On the contrary, budgets presented to Congress often obscure the capital investment requirements of our national forests with ongoing operating needs. This bill, when enacted, will permit an identification of short- and long-term management requirements. By defining each function in a manner that forces budget developers in the executive branch to deal with budget topics in a substantive way, our picture of capital investment requirements will be greatly clarified.

SUMMARY

The underlying philosophy of this measure is straightforward. Business as usual will no longer do. If we are to secure an adequate, sustained yield of benefits of each feasible kind from our national forests, we must plow back a portion of the revenues derived from the forests for essential capital improvements.

This again is the core concept of the National Forest Investment Fund Act. Needed capital expenditures will be made in a manner consistent with the principles of fiscal responsibility. Renewable resource investment will be evaluated in the broad context of all other appropriation priorities. These judgments will, however, be made with an understanding of the benefits to be gained, the costs to be incurred, and the needs to be faced.

I urge my colleagues to join in this effort to chart a path of well-founded capital investment for our national forests. In my opinion this is the next logical step to be taken by Congress for the goal of reasoned and comprehensive forest management policy. Early consideration by the relevant committees and prompt enactment will insure a healthy rate of return to the Nation from our national forests today and for generations to come.

I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1141

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established in the Treasury of the United States a fund to be known as the National Forest Systems Investment Fund (hereinafter referred to as the "fund"). The fund shall consist of such amounts as may be credited to it as provided in this Act.

SEC. 2. (a) Except to the extent otherwise provided by subsection (b) of this section, commencing with the fiscal year ending September 30, 1981, and each fiscal year thereafter, all moneys received or net revenues received during each such fiscal year from lands, resources, and services provided by the National Forest System shall be credited to the fund. Any unobligated amounts remaining in any account or fund and for use in connection with the National Forest System as of October 1, 1981, shall be transferred to the fund.

(b) Nothing in subsection (a) of this section shall be construed as affecting, diminishing, or otherwise altering the obligation of the United States to make payments in accordance with the provisions of the Act of May 23, 1908, as amended (16 U.S.C. 500), the Act of June 22, 1948 (16 U.S.C. 577g), or the Act of July 22, 1937 (7 U.S.C. 1012).

(c) As used in this section, the term "moneys received" shall have the same meaning as that provided under the sixth paragraph under the heading "Forest Service" in the Act of May 23, 1908, as amended (16 U.S.C. 500), section 13 of the Act of March 1, 1911, as amended (16 U.S.C. 500), and the term "net revenues received" shall have the same meaning as that provided under section 33 of the Bankhead-Jones Farm Tenant Act.

SEC. 3. (a) Commencing with the fiscal year beginning October 1, 1980, and each fiscal year thereafter, moneys in the fund shall be available, at such times and in such amounts, as provided for in appropriation Acts, for expenditures for capital improvements in connection with the National Forest System land and resources, including the construction and reconstruction of permanent improvements and facilities, reforestation, timber stand improvement, fish and wildlife habitat improvement, soil and water resource improvement, range improvement, permanent roads and trails comprising the National Forest Transportation System and established pursuant to the Act of October 13, 1964 (16 U.S.C. 533), and the Act of August 17, 1974, as amended (16 U.S.C. 1608), facilities to protect the National Forest System from fire and other damage, and facilities required for management of the National Forest System.

(b) Under the procedures set forth in the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600-1614), and as specifically provided in section 4(i) thereof, the program provided for under such Act for the National Forest System shall set forth those activities for the National Forest System which are capital in nature. The budget request presented by the President to the Congress governing Forest Service activities for the fiscal year commencing October 1, 1981, and each fiscal year thereafter, shall set forth the capital improvements currently required under such program for such fiscal year to meet present and anticipated future needs, and the amount available from the fund to provide for such capital improvements. Moneys appropriated from the fund shall be available for such capital improvements and shall remain available until expended. Any money credited to the fund and not subsequently authorized for expenditure by the Congress within two fiscal years in which such money was credited to the fund, shall be transferred to miscellaneous receipts of the Treasury of the United States.

SEC. 4. (a) It shall be the duty of the Secretary of the Treasury to manage the fund and (after consultation with the Secretary of Agriculture) to report to the Congress not later than the first day of March of each year on the financial condition and the results of the operations of the fund during the preceding fiscal year and on its expected condition and operations during each fiscal year thereafter. Such report shall be printed as documents of the Senate and the House of Representatives.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (A) on original issue at the issue price, or (B) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.

(c) Any obligation acquired by the fund (except special obligations issued exclusively to the fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the fund shall be credited to and form a part of the fund.

97TH CONGRESS
1ST SESSION

S. 1141

To establish the National Forest Investment Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 7 (legislative day, APRIL 27), 1981

Mr. BAUCUS introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To establish the National Forest Investment Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established in the Treasury of the United States a fund to be known as the National Forest Investment Fund (hereinafter referred to as the "fund"). The fund shall consist of such amounts as may be credited to it as provided in this Act.

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(b) Under the procedures set forth in the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600–1614), and as specifically provided in section 4(1) thereof, the program provided for under such Act for the National Forest System shall set forth those activities for the National Forest System which are capital in nature. The budget request presented by the President to the Congress governing Forest Service activities for the fiscal year commencing October 1, 1981, and each fiscal year thereafter, shall set forth the capital improvements currently required under such program for such fiscal year to meet present and anticipated future needs, and the amount available from the fund to provide for such capital improvements. Moneys appropriated from the fund shall be available for such capital

improvements and shall remain available until expended. Any money credited to the fund and not subsequently authorized for expenditure by the Congress within two fiscal years in which such money was credited to the fund, shall be transferred to miscellaneous receipts of the Treasury of the United States.

SEC. 4. (a) It shall be the duty of the Secretary of the Treasury to manage the fund and (after consultation with the Secretary of Agriculture) to report to the Congress not later than the first day of March of each year on the financial condition and the results of the operations of the fund during the preceding fiscal year and on its expected condition and operations during each fiscal year thereafter. Such report shall be printed as documents of the Senate and the House of Representatives.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (A) on original issue at the issue price, or (B) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as

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(c) Any obligation acquired by the fund (except special obligations issued exclusively to the fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the fund shall be credited to and form a part of the fund.

Senator BAUCUS. The committee will come to order. This afternoon I'm pleased to have with me and we're very honored in our State of Montana to have with us Senator Symms from the State of Idaho. Senator Symms and I served on the Senate Finance Committee together and we're very fortunate to have a Senator from the West on the committee. In other words, it's helpful to have somebody from the West to speak with an even, solid voice when he returns to Washington and speaks up for our part of the country.

So it's an honor for us, and I wanted to thank Senator Symms for taking the time to come and visit us. It means a lot to us.

Given Senator Symm's hectic schedule, I'm appreciative that he's here. Even though we come from different sides of the aisle, we share a deep concern for the subject of today's hearing: Investment and productivity in our national forest.

It's not news to Montana that the timber industry is in a depression. Housing starts are at their lowest point in four decades. As a result, demand for timber has almost evaporated. Lumber production in the first 5 months of this year is nearly 25 percent below last year. Unemployment in the housing and timber industries, too, is at record levels.

If there is anything good about the sad state of the economy, it is this: There is no better time to examine the future of the national forest system.

The economy will recover. New houses will be constucted. Construction and timber workers will go back to work.

But when that happens, will this Nation's forests be able to produce enough timber to meet demand? I don't think so. Today's surplus of sold but uncut timber will turn into a shortage.

We can prevent this from happening. But only if we act now. The future productivity of this Nation's forests depends on actions we take today.

Making the forest more productive is a difficult job. It requires capital investment, spending money today that may not yield tangible benefits until years later. In these times of budget austerity, such investments usually are the first to be eliminated.

For several years, I have supported a concept outlined in the National Forest Investment Fund Act, S. 1141. The bill is very simple. It assumes that Uncle Sam should heed the advice he has been giving to the private sector. Timber productivity is the first consideration. More than 12 billion board feet were offered for sale on the national forests in 1981—a substantial part of the Nation's timber production.

But S. 1141 also would improve the quality of the range lands within the national forests. Some 15,000 ranchers are dependent upon these lands for grazing.

This measure would also provide funds to improve recreation facilities, watersheds, and wildlife habitat in national forests.

The legislation works as follows: Fees from use of national forests—that is from timber sales, mineral leasing, grazing permits, and recreation fees would be placed in the fund. These revenues, more than $1 billion in 1981 would be available to pay for capital improvements in the national forests.

Any funds not spent on capital improvements will be returned to the Treasury after 4 years. The 25 percent of national forest receipts paid to States for public schools and roads would be exempt from use.

I'm certain this proposal can dramatically improve the productivity of our Nation's forests. The legislation would insure that timber cut now is replaced for future generations.

Almost all the easy to reach high yield timber has been cut. These areas should be reforested first, otherwise there will be a strong pressure to build new roads into the remaining roadless areas and begin logging there.

We have tried our best to refine the proposal, but I'm sure there are glitches that can be removed. I hope that today's witnesses will recommend to us what changes they think make sense.

The purpose of our hearing is to get that kind of testimony from those who know our forests first hand. Western Montana has a pool of workers now waiting for the depression in the housing and forest products industries to end. This legislation is one way to use that untapped pool of human resources and improve America's competitive posture in the worldwide timber market.

Before I turn to Senator Symms for his opening remarks, I'd like to remind you that what you say will be made a part of the record of this hearing. Therefore, rather than reading your statements, I hope you summarize them. Just tell us in your own words what the main point is that you're trying to make to us. In that way, not only will we have the benefit of your prepared remarks, but also the benefit of your talking to us at just a gut level, right where it's right at. So I encourage you to summarize and just tell us in your own words what you're trying to say so we can improve the quality as well as the quantity of this hearing. With that, I'll turn to Senator Symms and again, thank you for coming.

Senator SYMMS. Well, Max, it's my pleasure to be here with you and as you've said, we work together on two committees in the Senate, the Environmental Public Works Committee and the Finance Committee. It's true we do come from different sides of the aisle, but oftentimes we find that there are those of us from the West who properly share a resource-orientated contingency such as Montana's and Idaho's. As a result, we have a great deal in common in our viewpoint on many of the questions that deal with the national resources of the country.

A few years ago, we had an issue on the floor of the Senate dealing with reform of the archaic Reclamation Act of 1902, the controversial 160-acre law. Some of our colleagues from both sides of the aisle were trying to paint the picture that somehow the reclamation program had been a great grant, by and large, to the West. Ironically, it came out in the debate that the Federal Government has spent more money on the subway system in Washington, D.C. in the last 10 years than they spent in the last 80 years on reclamation projects in the West. Yet somehow, if you hear this picture painted on the floor of the Senate, I know Max can tell you what it's like, you would think that westerners were asking for a great deal. So I think what we're talking about today with respect to our timber production, is that new wealth comes from the ground. We want to see production from these Government lands in our States

to produce the fiber, the forest products, the potential capacity for the homes of Americans off of these lands to avoid a waste of a very, very important resource. If we don't take good care of the forests in this country, through a balanced resource policy, we all lose. We seek to avoid the kind of crisis management that comes about when we have failed to responsibly manage resources for the future. I think that's really our effort. We're here to address S. 1141, which will establish a trust fund for Forest Service revenues to direct the Forest Service to account for the capital expenditures separately in their budget to the Congress. There is, in my opinion, an increasing need for this legislation. We recognized it when I first came to the Congress in 1972 and during that time, in the early 1970's, we passed some landmark bipartisan legislation, including the Resource Planning Act, to try to recognize the importance of resource planning goals for the Government land agencies. I think RPA passed the term before you came in, Max, if I'm not incorrect on that, during the 93d Congress. Then in the 94th or the 95th Congress, we passed the National Forest Management Act, Federal Land Policy and Management Act wherein the Congress attempted to define goals for Government lands. These statutes, of course, have not worked out completely or perfectly and we've sought changes in some of them and opposed some, but the Congress felt, as I did, that we needed to set a direction for the balanced management of our recreational timber, mineral, grazing, and wildlife resources.

A critical theme that spreads throughout each of these statutes is the need for continuity. In the timber resources, that continuity can be summed up and an assured access to enough timber resources to meet timber demand. Ideally, a tree that reaches maturity should be harvested and cut before it becomes too old to do us any good and be replaced by a seedling so that we can make the greatest, most efficient use of our healthy forests.

Now, just as a note in the side, I'm probably one of the only, if not the only, horticulture major in the U.S. Senate. I take occasional ribbing about that from my colleagues because I come from an orchard family and so tree growing is something very natural for me. My brother, who runs the family orchard, majored in political science and so we do take quite a bit of ribbing about that. Most people in the Congress haven't had a background in horticulture, but if you go around anyone's orchard, you'll always find that they have access to the orchard and they can get around it, and they pick the ripe trees first. Unfortunately, in our national forests, we oftentimes end up mining, so to speak, the timber because we're cutting the trees right off the face of the forest in order to pay for the roads that are built only as each individual sale is processed. Consequently, it is the nature of resource management that makes it very difficult for the Government land managers and the Forest Service and BLM. They must have a continual basis of funding so that they can plan for the future and more closely mimic the kinds of timber management exercised on private lands where there is greater accessibility and, in some cases, more long-term planning. I am confident if we inject more funding certainty in capital expenditure budgets we'll be

able to see more innovations in timber management and research and we will be able to improve the productivity of our forests.

Now, we've succeeded in speeding up nature with modern practices and forestry and several cultural practices. Our new trees will grow faster, we can grow them larger. We can, I believe, have a sustained yield formula in reforestation that will shorten the regeneration period even in areas of Montana and Idaho where it's a marginal growing area and some cases over in the Cascades. But despite recent research breakthroughs and actions in the Congress, we need funds for vital capital improvements that have fallen far short of the goals set by the RPA. Capital expenditures have not been defined, which naturally only becomes a problem when capital improvements are not adequate. Such is the case today, and I will elaborate on just a couple of examples later in my statement, but S. 1141 takes a giant step to pinpoint the problem or at least to expose it to the light of day. If this legislation is passed, the Forest Service would be required to identify its current long-term capital investment needs and goals in the budget to the Congress. Unless I miss my guess, such an accounting would be startling and would demonstrate a need for change and spending priorities and therein lies the problem. The Forest Service brings over $1 billion annually to the Federal Treasury through timber, mineral, grazing, recreation, and other activities but unfortunately, those revenues have little to do with the level of funding which is appropriated by the Congress. Year after year we have to fight for funding for such programs as payments to counties to make up for revenues that would be generated by taxes on private landholdings. The establishment of a trust fund as required by S. 1141 would not interfere with the appropriation process, but it could punctuate Forest Service revenues in context of inadequate capital. The trust fund also does not interfere with payment in lieu of taxes which are made before the moneys are transferred to the trust fund. Finally, the trust fund does not dig into mineral leasing but only figures with encumbered funds.

TIMBERED STAND IMPROVEMENT

Many of the timbered stands in northern Idaho are the product of fires which ravaged the region in the center for the most part, but the timber is overgrown, too heavily stocked and overmature. In short, the stands are surely in need of improvements to enhance the rate of growth and the quality of the timber. Congress and the Forest Service have long recognized the need for the value of timber standing improvements, but it is a wise manager that has the foresight to invest a dollar today that will generate manifold benefits tomorrow. So what we're really talking about, and this is the problem that Senator Baucus and I run into with our colleagues from the more populated States, is that there aren't a lot of votes out there in the national forests and it is very hard to get the Congress to exercise the foresight to invest in benefits that won't be realized for 50 years. Those of us that are in the politics have a tendency to live our lives on a 2-year cycle, from one election to the next, it's just the nature of the game. That's why I was enthused when Max told me he was thinking of reintroducing this legislation to dedicate funds to the future of the growth of timber in the country, and I'm happy to be a sponsor of the bill.

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In the case of timber stand improvement where we have some increased growth and levels of harvest, but unfortunately the funds available to make the improvements are anticipated to shrink to about half of the RPA goals for this fiscal year. To make matters worse, many of the funds for timber stand improvement are derived from the Knudson-Vanderberg Act, which depends on a timber harvest which is at the lowest level in recent times. Other capital investment shortages, the same kind of trends is evident when we examine other capital programs. Reforestation, recreational expenditures face similar shortfalls in funding, and those who harvest timber are often required to build superhighways when lower grade roads are more economical and just as safe to those who use them. So I'm hopeful that his legislation will pass, that the entire procedure for road construction will be scrutinized as well. I'm a sponsor of S. 1141 because I believe that investing today for tomorrow's future is essential to the long-term stability of our Nation's economy. I think that we have to contribute to the Nation's economy with the resources that we've been blessed with here in the Western States. We are very fortunate, in my opinion, to live in the West. We have a natural resource out here and we should do everything we can to protect it and to use it and to replenish it to the benefit of not only those of us that live here but of the entire Nation.

I know there are witnesses from Idaho that are going to send statements, so I'd like to ask the consent that we insert those in the record and that we keep this hearing record open for a couple of weeks to give everyone a chance to make their position on this legislation public. So if you know people that wish to testify and are not here let them know that we welcome their testimony. The committee and those of us that are building this record so that we can move forward with this legislation look forward to having all of your input and your testimony on this important question.

Senator BAUCUS. Thank you very much, Steve.

Senator SYMMS. Thank you. Back in the old days in the House, we operated under the 5-minute rule.

Senator BAUCUS. As you said, the record will be kept open for 2 weeks. If anyone has a statement that he later wishes to submit to the committee, he may do so.

Our first witnesses will be two members of my forest advisory committee. I have a forest advisory group of four solid Montanans, Arnie Bolle, Howard McDowell, Ernie Corrick, and Thurman Trosper. I must say that they have been a tremendous help to me. Sometimes they agree, sometimes they disagree, but they're always very helpful and I mean that very, very much, so, Arnie and Howie, why don't you both come up.

Arnie, why don't you proceed first with your statement?

STATEMENT OF ARNOLD BOLLE, RETIRED DEAN OF THE SCHOOL OF FORESTRY, UNIVERSITY OF MONTANA, MISSOULA, MONT.

Mr. BOLLE. Thank you. I guess I can explain to Senator Symms. My name is Arnie Bolle. I am a resident of Missoula, retired dean of the school of forestry about 4 years ago. I've been involved in

many other activities since, including some work with the Wilderness Society, but I'm not speaking only for them. I'm speaking as a citizen. The committee of four, I might explain, 1 year ago, just about 1 year ago when we examined the bill S. 1141 and we wrote, we reported then to Senator Baucus and generally quite favorably, we called it an excellent and needed bill and we raised a few questions, made a few suggestions, which I think are still valid and with your permission, I would include that with our statement.

Senator BAUCUS. That will all be included.

Mr. BOLLE. When we met, we met again to review our letter of that time to see whether it still applied under the present conditions and it was our pleasure to find that we did, and with that agreement, that perhaps it's been quite necessary for each of us to make a separate statement, although I think we'll find some differences. There are at least differences of emphasis on our outlook.

I'd like to speak a little bit on this as a budget bill, which it is, and as you explained, it is designed to assist in providing stable funds for the longrun needs of forestry, and I think one of the problems the forestry has is that it is a longrun occupation, a longrun activity if benefits from investments don't accrue for two or three generations. Unfortunately, the Government is mostly run on a shortrun basis and so this provides a severe handicap for forestry. I think Senator Symms mentioned the fact that the RPA had difficulty being funded. In fact, the RPA law, as it was passed, required full funding, unless for some reason it couldn't be met and for some reason hasn't been met yet, so there is a problem because of the fact, of course, that there is always severe competition for funds on an immediate basis, and as we know now, in fact, as we can see over the last 10 years, at least, that there have been difficulties, catastrophies of some nature, so that we're always ending up with a short budget. But I think that for this reason, that S. 1141 can provide some longrun effectiveness because it has the funds there to draw on. The fund here could make planning effective and could keep the benefits flowing and, in fact, I think there are several things that have happened because of the lack of such a provision, that forestry, I think, all of us have to recognize is very cyclic and has been. We're in the bottom of one now and in my experience, I've been through about four of them and I expect that this is not the last one, so there is, I think we need to provide and make provision for this kind of cyclic situation and what happens, unfortunately, is at the time where there is lots of work available and needs to be done in forest improvement, if it could be somehow counterphased so that provisions, funds were provided to do this, why we've always thought this would make a much more even operation out of forestry and I think this fund would help it to some extent.

There is a further importance, I think, to this particular bill, and that's in terms of meeting some of the requirements of multiple use. Unfortunately, it seems that even when RPA is cut and the requests, forest budget requests are reduced, that they are reduced unevenly. The requests are made across the board for the program's multiple use. Unfortunately, it's the things like wildlife, recreation and so on that are cut worse and timber is still provided

and this creates an imbalance in the management of forestry and a considerable amount of unhappiness among many people.

There is another aspect of this which I think is also extremely important and which we pointed out in the letter, but I'd like to emphasize a little more, and that is, of course, that these are investment dollars. They're not cost, they're investment that we can depend on return from in the future. Now, these, I think, this should be taken as investment and carefully programed as investment because there is certainly never going to be enough money to do all the things that are needed, so I think they should be done on a very selective basis and those investments that are going to bring the greatest return should be the ones that have priority. This seems to make simple enough sense, but somehow it isn't always treated this way. I just want to emphasize that cost benefit ratio or cost effectiveness should certainly be part of the consideration, and it's certainly in the bill.

From one standpoint, there is a concern that the emphasis of roads or the inclusion of roads in the bill is a threat. I think that it doesn't necessarily need to be so. I think there is concern among, especially environmental groups, that this might lead to building roads in areas where there is no great need for them or in areas where timber would not be profitable or an area that might be being considered for wilderness or some other use that these might be used not very intelligently. I think, though, that using the credit, the cost benefit ratio, the cost effectiveness test, I believe that with this, that that will not be too serious a matter. I think we need to recognize, though, that some roads are capital investments, some of them are just part of maintenance and I think we should take a very close look at these.

[The prepared statement of Mr. Bolle follows:]

STATEMENT

ON S.1141, A BILL TO ESTABLISH

THE NATIONAL FOREST INVESTMENT FUND

THE U.S. SENATE FINANCE COMMITTEE

SENATORS MAX BAUCUS AND STEVE SYMMS

Missoula, Montana, September 1, 1982

My name is Arnold W. Bolle. I live in Missoula, Montana. I retired as Dean of the School of Forestry at the University of Montana here in Missoula four years ago. Since then I have been engaged in many activities with various local and national organizations. About one year ago Senator Baucus' committee on forestry and related activities of which I am a member studied and discussed this proposed bill at some length and wrote Senator Baucus our report on S.1141. Last Monday, August 30, 1982 we met again to review our statement and found that we are still in agreement with our earlier report which recognized the proposal as excellent and needed. We proposed some changes which we understand were acceptable. With this happy state of affairs, none of the members of the committee should perhaps say more. But we recognized that from our diverse backgrounds and connections each member of the committee has some additional thoughts which may not be fully shared by the other members. I would like, therefore, to submit to you first copies of our original letter to Senator Baucus dated July 20, 1981 and then make some additional statements of my own.

In my opinion this is primarily a budget bill especially designed to assist in providing stable funds for the long run needs of forestry. Forestry is a long run activity. Benefits from investments at any one time are not received until two to three generations later. The short run nature of most government operations has always created a severe handicap for forestry. Congress has wrestled with

this problem for decades. Their recent products: The Resources Planning Act (RPA) passed in 1974 under the leadership of Senator Hubert Humphry and then the Forest Management Act of 1976 passed by the leadership of our own late Senator Lee Metcalf, sought to considerably strengthen the relationships between the federal budget and the forest management needs of the National Forests. I firmly believe that these two pieces of legislation provide the basis for sound forestry, and I also believe that the proposal in S.1141 can improve the effectiveness of the earlier acts by helping these earlier ones to become welded into a sounder funding program for the National Forests.

Take the example of RPA. The act required the Forest Service to assess the nation's forestry needs, spell out the program and budget for the coming year, obtain the funding, and then report back to Congress on accomplishments. The annual request for funding was based on a long run assessment of needs. It should have worked. The bill required that the estimates be funded and approved unless dire circumstances made a lesser budget temporarily ~~impossible~~. Unfortunately, there has yet been a year that we don't somehow face a catastrophe that makes funding for the forest investment an impossibility again and again and again. The short run budget crises are a fact of life and so RPA loses most of its force.

Another basic consideration of RPA and NFMA ~~were~~ that the budget be based on multiple use and that a balanced program of multiple use forestry be promoted and funded. Balanced budgets that were provided for the budget process as balanced programs emerged with almost every item greatly reduced except timber. Timber was favored at the expense of wildlife, watershed protection,recreation - just as budgets which RPA was intended to cover. RPA is in fact, in some ways a shambles.

Why? Because of the many demands on the federal budget as well as across the board reductions of program and personnel. There wasn't the money available. So again, short term needs are provided and long term needs are ignored.

These are investment dollars. They increase our wealth in forest use. And if they are not made we will be that much poorer and facing crises that should not exist.

The assured income, through this bill, would greatly reduce budget uncertainty for the Forest Service and would make possible a constructive and continuing program to improve our forests.

In our letter we point out that this money would be used to improve the forests by replanting and revegetating, improving wildlife habitat, water quality and flow requirements. From my standpoint I would want to make sure that the money is used solely for its intended purposes, and not for increasing overhead, etc. and buildings. I personally would leave out roads, too. Road building is the most controversial activity facing Forest Service officials.

If we are to consider cost-effectiveness at all, we had better hold a magnifying glass on any proposed road construction. In fact, I would like to see credit for road construction put back into the Forest Service budget as a budget item. For some strange reason roads were, last year, taken off the budget by Senator McClure's committee. By doing so he removed the greatest cost and so the best criterion for judging the cost benefit relationship of proposed Forest Service activity - mainly timber harvesting. (See our letter, last paragraph, on top of p. 2.)

As a final point I believe that there are certain countercyclical effects of this bill that can be quite helpful in easing the effects of depressions such as we are now experiencing. The held over funds could be used to guide benefits in providing employment in constructive forestry work and would provide further long run benefits in forest production.

1630 Jackson Drive
Missoula, Montana 59802
July 20, 1981

SENATOR MAX BAUCUS
1107 Dirksen Office Building
U. S. Senate
Washington, D. C. 20510

Dear Max:

Your forestry advisory committee, sometimes called the "committee of four", got together on July 3rd to discuss our ideas on S.1141, your bill to establish the National Forest Investment Fund. You have already heard from Howie McDowell speaking for the Inland Forest Resource Council. I'm not sure that Ernie Corrick has written or spoken to you about it but he sent 50 copies of the bill to members of the Western Forest and Conservation Association in which he is an officer. Thurman Trosper and I had not communicated with you about it before.

We concluded and agreed unanimously that this is an excellent and needed bill. We wonder what kind of response you have had from your "dear Colleague" letter of May 18. Howie and Ernie said that while their organizations had had no objection to it earlier, they hadn't taken any action because they doubted whether it could be passed. They now have developed enthusiasm for it and would like to see it go. From what they say it appears that industry favors the bill. Thurman and I have not yet discussed it with any environmental or consumer groups but we see no reason why they should oppose it and we think we see good reasons why they should support it.

Has any objection surfaced yet? Do you anticipate any? I suppose that one of the problems is to generate enough support to get it going. We would be glad to discuss strategies with you and see what support we might be able to enlist.

We all agreed with the two recommendations in Howie's letter of June 5th to you to, (1) limit the percentage of the fund that may be used for administrative overhead purposes, and (2) require the Secretary of Agriculture to report to Congress, within a reasonable period after the end of each fiscal year, the capital projects which had been accomplished that year and their costs.

We like the provision that the funds be invested. All the money might not have to be invested but the return from the amount invested would offset some of the interest. We urge that all Forest Funds be invested in similar fashion. That would apply to KV, TSI and others where money is advanced.

We appreciate your remark that Forest Service budgets have failed to differentiate between operating activities and capital investments as required in Section 4(1) of RPA. This needs to be done for RPA but is essential in connection with S.1141.

We believe that you should also add 4(2) of RPA or a similar statement in the bill to make sure that the investments are sound. It becomes increasingly obvious that

we have to insist that costs and benefits be carefully evaluated "in such a manner that the anticipated costs can be directly compared with the total related benefits and direct and indirect returns to the Federal Government". Nothing can defeat the purpose of your bill quicker than relaxation of that requirement.

We believe that the Forest Service should be required to establish criteria for investment and returns and that they should also be required to rank their proposed capital investment on the basis of benefit/cost criteria. There is no possibility that all proposed capital investments can be provided for. So the criterion for investment should be that investment should be made in the best opportunities in terms of potential returns. We need to be hardheaded about this or we'll be putting money into some pretty fuzzy ideas.

There also needs to be checks on the program so that what has been done can be reviewed and evaluated.

There will also be problems of distinguishing between capital investment and operating activities. For example, some roads will be capital investments while others are part of the operations. The line between may be difficult to identify in some cases.

We're sure, of course, that you don't want Congress to administer the National Forests. But the program needs direction and oversight to make sure it works. And this can be a great boost to the sound management of the National Forests. Under present interest rates long term investments such as required for forest management are virtually impossible without a fund such as this.

We tried to get in touch with you while you were out here but you were fully obligated. We would like to have the chance to sit down with you again when you have time. We believe that it would be useful to discuss our functions with you again. There is one original goal that we discussed earlier and that is to identify the potential production and investment possibilities from the better forest sites. This ties right in with your bill. It is also the best potential for improving the continued long-run production of timber and other values from our National Forests.

Best regards.

Sincerely,

ARNOLD BOLLE ERNIE CORRICK HOWIE McDOWELL THURMAN TROSPER

AB:jc

Senator BAUCUS. Thank you very much, Arnie. Howie, why don't you proceed with your statement, too, and then we'll ask some questions of both of you?

STATEMENT OF HOWARD G. McDOWELL, EXECUTIVE VICE PRESIDENT, INLAND FOREST RESOURCE COUNCIL, MISSOULA, MONT.

Mr. MCDOWELL. Would you like to ask Arnie the questions first so if he needs to leave if need be?

Mr. BOLLE. I'll be glad to stay.

Mr. MCDOWELL. Senator, I wonder if you would indulge me and let me read my proposed statement. Usually my summarization is longer than my written statement.

On behalf of the members of the Inland Forest Resource Council, I want to express our appreciation for the opportunity to testify in favor and support of S. 1141, the National Forest Investment Act. I am Howard McDowell and I'm the executive vice president of the council, which is an association of forest products manufacturers operating in Montana and Idaho, essentially the boundaries of U.S. Forest Service region 1, and not by coincidence, both our headquarters are in Missoula.

The primary objective of the Council, since its inception, has been a sustained supply of timber from public and private commercial forest lands. That's our goal. We also advocate an intensified national commitment to the sustained yield multiple use policy for our national forests. This bill is an appropriate major step to meet that commitment since it provides a vehicle to finance long-term capital improvements that will increase the future productivity of the resources of the national forests. Now, because the council's primary goal is a sustained timber supply, we are, understandably, most interested in those capital investments that will enhance that supply, and they are reforestation, timber stand improvement, and construction of permanent roads.

The national forests in region 1 have a considerable backlog of commercial forest land acres direly in need of reforestation or timber stand improvement. Most of these acres, over long periods of time, will reforest or thin themselves naturally. That kind of waiting period is too long. We should have, long ago, provided the capital funding for an orderly and accelerated program aimed at getting those lands back to producing the wood that they are capable of growing, and it is the commitment that we need to make for the future generations who will need that wood.

Investments in the construction of permanent roads are the third item, and not necessarily in that order of priority. Carefully planned, and I stress that, carefully planned road investments will bring quick returns to the fund in the form of receipts from timber harvest that should take place shortly after the roads are constructed. Those types of investments are almost always amortized much more rapidly than funds put into longer reforestation or timber stand improvement.

The roads will continue to bring money periodically into the fund as additional sales are made following the first cutting cycle. They will also be in place in the event emergency salvage measures are

needed, such as those resulting from fires, insect epidemics, wind storms, et cetera. The values and returns are greatest when the salvage is expedited and that's why we need the roads. Dead timber loses value very rapidly.

Those same roads will also provide additional access for the ever increasing thousands of woodcutters, intent on getting in their winter wood in the hope of reducing their dependency on higher priced fuels and thus cutting their heating costs. Berry pickers and recreationists will use those roads. They provide multiple benefits and if closures are needed to protect other resources, the agency has the authority to do so and does use that authority. I also heard Arnie voice this concern.

We have heard concerns voiced that the fund would be used to access lands unsuitable for timber production, lands which might be allocated to wilderness or other roadless category. The suitability of lands and their allocation will be determined in the national forest planning process that is now underway. Areas not considered suitable will not be roaded.

The confusion arises from so-called deficit sales where the timber values on a particular sale are not sufficient to meet the costs of road construction, and this is especially true in times of extremely depressed markets, such as those we are experiencing now. The inequity is that the initial timber sale is supposed to pay for the entire road system that will access far more timber than is included in the original sale. Selectively harvested units that will have reentry and untouched areas tributary to the roads should all contribute to paying for the access, not just the first entry sale. This bill will provide the mechanism for correcting that inequity. We also have some recommendations that we believe will strengthen the intent of the bill, and I can feel Everett Towle's baby blue eyes on my back right now.

There should be language that would provide for a limit on administrative overhead charges that would be paid out of the fund. The Wood Residue Utilization Act limited such expenditures to 10 percent. Our objective is a simple one. We want the investments to be put into the land and not into the office. There was a real concern on the part of some of our members that the bill might lead to overstaffing and I personally know from conversations with responsible Forest Service officials that they do not want this. What they fear even more is a boom-bust appropriation process. It is essential that an ordinarily long range capital improvement plan be developed and then, we're back to the big question, will there be the necessary regular appropriations that will implement the plan?

Section 4(a) requires that an annual report of the financial conditions and operations of the fund during the preceding fiscal year. We recommend that either in the bill or in the report language, that the Secretary of Agriculture should also report on how those funds were spent, either planning, engineering, general administration, and overhead and the actual project dollars that were put into the ground. Those that were invested in the resource, and we'd like that by category, such as the acres of reforestation or wildlife habitat improvement, the recreation facilities, the road improvements, et cetera. This would enable Congress to compare the results with the budget requests, and we recognize that in the early stages,

planning and engineering may appear to receive disproportionate funding, but that should level out once the program is in gear.

There is no mention of the various timber sale cooperative funds that are paid in the agencies. These include brush disposal, road maintenance, erosion prevention, et cetera. The Forest Service collects these moneys to perform the various jobs for the purchaser and they are a direct result of his activity on the timber sale. We recommend that these cooperative accounts also be part of the interest bearing fund. There are many timber sales in the inland regions where co-op funds and kV deposits, and the kV deposits are including in stumpage rates, are much greater than the actual stumpage returns. All of this paid in money should be drawing interest until used by the Forest Service, which may be 2 to 3 years after the payments are made.

Now, we're going to assume that other resource user groups that will benefit from this proposed legislation will respond for their particular interests. Some of them may face problems when cost benefit analysis are made in terms of Government expenditures and Government returns. In fact, if priorities of this kind are established, only recognizing monetary returns to the Government, how could one justify a bridge in a wilderness area which was an example used by one of our members, that would provide safer travel when it may be compared to investing in reforesting highly productive forest land in Oregon, and the same comparisons hold true for wildlife habitat or watershed improvement programs and others that do not have any particularly monetary return to the Federal Government.

Criteria other than a simple cost-benefit analysis must be established, recognizing that cost-benefit ratios will be important in establishing those priorities and those criteria must include the human values, a recognition of the people and the communities, which are economically dependent upon national forest resources, and the large numbers of Americans who fulfill their recreation needs in those same forests.

In summary, the council supports the bill's basic concepts, from national forestry receipts, but a problem exists.

The administration and Members of Congress may recognize the long-term benefits from these types of investments, but their main focus historically has been on budgeting for short-term solutions, and this is where the major pressure areas are.

How would passage—this question has been asked of me several times—how would passage of this legislation translate that recognition into a more positive action for long-term capital investment in the national forest budget and appropriations? Well, in my view, this bill does two things that will more sharply focus the congressional eye.

The first is insisting that the administration separate capital investments from operational expenses in their planning programs as required by RPA. Those capital improvements would then be a separate part of each annual budget.

The second and correlary part of the process provided in the bill is the National Forest Investment Fund from receipts that are available to pay for those capital improvements in the President's budget.

The Congress then has before it a document that spells out clearly the capital improvement need of the national forests and the funds available to meet those needs, funds which have been earned by the same national forests.

Now, we believe it is a powerful argument, but, in all candor, we cannot predict that the budget and appropriations committees and the Congress will share the strength of that belief. Thank you.

Senator BAUCUS. Thank you very much. Thank you both very much. I want to particularly thank you and Howie for your last point. Insofar as you separate the capital from the operating portions of the budget, under RPA. An attempt has been made to do that. I think we could push that process much more fully.

More importantly, I've always felt that the national budget should, could stand to be straightened out between the capital and productive budget. Our Federal budget in Washington, as you probably know, is called a unified budget concept. It lumps everything together. Operating, capital, whatever else there may be. All receipts are put in the pot and all expenditures are taken out of the pot.

The State of Montana does have a separate budget and I think, if not most States, a good number of States separate out to a large degree their operating from their capital budget. I think it's important for planning to have a separate capital budget. Certainly any businessman, if he's going to stay alive, not only these days, but in any time, must know that distinction and recognize that distinction and utilize those distinctions.

I'd like to ask a general question of both of you and that goes to timber supplies in America during this decade and the next decade. Some suggest that whereas in the past, private timber industry production has risen and national forest production has not risen at the same rate, but that during the end of this decade, perhaps in the next decade, harvest of private lands and of industry lands might level off or slightly decline, which would then put greater pressure on the national forests. Do either of you subscribe to that point of view? Put more precisely, what pressures do you see developing?

Mr. MCDOWELL. Timber supply depends on a number of things and, of course, one of them, I think was demonstrated very well in the State of Montana since World War II when we came out of it with our allowable cut figures holding for years, suddenly we discovered we could get up into the mountains. We could use any of the trees that were available, we used smaller trees and our capacity, our allowable cut increased by 10, 20 times. This is utilization in effect. The same amount of trees were there, but they became useful and they were accessible and they were worth something, so they were harvested. That's continuing. I don't want to speak for anybody around here and I better not, but I've seen some cases where mills foresaw a life of 10 years and then began to realize that they had a lot more because they could use smaller materials, they could be more effective and continue. There are many, many ways of processing this. This is perhaps more long run. Now, in the short run, we've had a very interesting change where recently the allowable cut or the cuts sold on national forests has been decreasing and the higher percentage of the timber has been coming to

private lands. There is also an indication that some of the private lands are being over cut and that this will not continue. Now, this is a reversal of an earlier time and still earlier time in history when almost all the timber came off private land and none came off the national forests, virtually none. I think we'll see this switch. There has been a prediction on a national basis under the old President's panel of the environment that we go ahead and liquidate in the national forests and then go to private timber for our national supply. This was highly theoretical, not likely to happen, and it would raise cane with us here because we're not fixed to do that. This could work on the west coast possibly, but I'm not answering your question very well. I'm indicating that there are a lot of answers to it and that there is, supply is a flexible thing. It depends on a whole lot of things, including very much on price. I say if there is a big housing boom, we'll find there is a heck of a lot of timber available.

Senator BAUCUS. As you're saying, it depends very much on the economy. That is, when interest rates are down and housing is up, there is greater demand?

Mr. BOLLE. I would say if we were cutting only timber there would be less being cut.

Senator BAUCUS. Let's assume though, say an average, of 1.5 million in housing starts over 10 years. I'm therefore assuming that interest rates are down around 8, 9, 10 percent, and stay there. What pressures then will that create on our national forests?

Mr. BOLLE. Well, let me, I'm sure, I would like——

Senator BAUCUS. The question obviously is going to the need for developing more capital investment.

Mr. BOLLE. We've been up over 2 million. One and a half would be a very healthy rate, but I think we could sustain——

Senator BAUCUS. Particularly now when we're at a million or even slightly under.

Mr. BOLLE. Yes, I think if somehow you could arrange that rate, I think we could sustain that pretty well.

Mr. MCDOWELL. I don't see any problem with that. We've been up to 2, 3.

Senator BAUCUS. You, Howie, you don't see——

Mr. MCDOWELL. I see no problem with 1.5.

Senator BAUCUS. But generally, as near as you can tell, through the year 2000, my question is, the degree to which there would be greater pressure to harvest on national forests.

Mr. MCDOWELL. There probably will be greater pressures to harvest on national forests and that is probably more true in Oregon, Washington, or on the west side than it is here because they have been cutting it at a more rapid rate in the private lands there over a longer period of time.

Senator BAUCUS. But the reason you see more pressure is why or what?

Mr. MCDOWELL. Because of demand.

Senator BAUCUS. You think the demand will go up because interest rates start coming down?

Mr. MCDOWELL. I don't have the same optimistic forecast that you have for those interest rates. Assume that you get to 1.5 housing starts, I don't think that will place any great pressure because

don't forget we have the Canadians. I'm afraid that Keith Olson just rose up in his chair. You have the Canadians who are providing a good share of the softwood lumber market.

Senator SYMMS. What do you anticipate in the future, though, as to future housing? Is the homebuilder going to opt for less space and less timber per unit?

Mr. MCDOWELL. All of the people that I've talked to, there are going to be different expectations. There are going to be smaller homes, people are going to, we are entering the area of lesser expectations.

Mr. BOLLE. I think that's right. I think that's all the indications and nobody ever wants to stay around to see his predictions for sure because we're usually wrong, but I would expect that we're not going to have a great boom because the housing and the interest rates are not going to come out that fast unless people's earnings go up real fast, but at that rate, I think for a while, there is going to be greater pressure on the national forest for softwood timber. At least for the present, they have a very large part of the softwood timber which is the housing and timber, but I think that as this thing goes on for 20 years or so, that greater and greater the supply will even up or even off.

Mr. MCDOWELL. I want to caution you that while most houses in the past have been built with 2 by 4's with 18 inch spacing, there is now some requirements for 2 by 6's and 2 by 8's in order to provide greater areas for insulation and we were just discussing that the other day and the fact that why all this sudden pressure to insulate those walls an extra 2 inches or so when most of the heat loss is not through those walls. We would want building code's people to examine and energy people to examine that very carefully.

Mr. BOLLE. I would think energy requirements may have quite a little to do with future housing.

Senator BAUCUS. Arnie, I wonder if you could expand a little more on the concern about "unnecessary roads" if this bill were enacted. Could you suggest some approach to a curb against unnecessary roading? Maybe even Howie would agree that a road or two may be unnecessary. Howie made the suggestion of a plan to separate the economical from the uneconomic.

Mr. MCDOWELL. I said there are other criteria that are needed.

Mr. BOLLE. I think Howie and I could agree on these criteria, but people are scared to death of roads and the possibility of roads being built without any consideration really of the benefits, and at least in the minds of many, that the roads are being built sometimes just to set aside some area in some protected status. This is a continuing battle and I suppose it's going to be considerable paranoia on both sides, but I think the best test of this, and I think Howie says it quite clearly, I hope I said it reasonably clear, that is, an economic test isn't needed before it's done. I think if we go through the planning process on this basis so that we can evaluate it and look at it and the public participation express the facts and the fact could be revealed, I think we should be able to have a reasonable approach.

Senator BAUCUS. What do you think about the 4-year term in this bill? Does that make sense? Should it be 5, 6, 8, 10 years?

Mr. McDOWELL. Four is a reasonable number, not knowing—two is too short. You're reassigning those funds too rapidly.

Mr. BOLLE. We agreed that two was too short, four is reasonable and if you consider what it would do during a depression like this in helping provide work, that it would be better at six perhaps, but that may be too long.

Senator BAUCUS. We'd have trouble with the administration, more trouble with the administration with six. Let me ask one question, too. I'll direct it to you first, Arnie. Why should any of the funds from this trust fund pay administrative expenses?

Mr. BOLLE. Well, I suppose we, in thinking about it, putting a limit on it, we thought that there is going to be some work involved and perhaps the people presently doing those things are fully employed so that there wouldn't be any time for them to take on this extra work, but we didn't want to, we wanted to make sure that there wasn't a new hierarchy built.

Senator BAUCUS. That's my concern. I don't want a new hierarchy built, too. Maybe the present personnel can do the work, maybe they can't, I don't know.

Mr. BOLLE. That would be excellent.

Senator BAUCUS. If they could.

Senator SYMMS. Just a couple of questions. I think that they could do the work, frankly. We could take along the engineers that are setting all these road specifications and they could help plan this out. You raised some good points in your statement, Howie, regarding the appraisal of the national forest system that really concern me. We could have better environment if we did a better job of farming those trees where it's possible. It's just horrible to have to go out here and spend 10 million board feet to get a road built where maybe you could sell half a mill or a million board feet where the trees should be cut. Is my assessment correct or incorrect?

Mr. McDOWELL. Yeah, the concept is absolutely correct. The problem is that the trees that may be most in need of harvest may be at the far end of that.

Senator SYMMS. On the back side of the hill. This is my argument about the roads. If these people want the Government to own all the land, then they should build all the roads.

Mr. McDOWELL. They'd have to be building roads in all directions and I don't think that that's, I don't think, in the first place, I don't think the Forest Service could cope with it without overstaffing, I'm sure of it. I'm concerned that that's not ordinarily enough. That, in fact, I would suggest that for the purposes of this bill and the funding, that they go very slow for the first couple of years. They feel their way into this thing so that we don't get the kinds of problems that we might foresee if it was suddenly an accelerated program.

Senator SYMMS. Well, my contention is if you build a road that is not going to hurt the environment, and there is a problem with game management or what have you, you can put a chain across the road and stop people from driving on it. That's physically possible, but at least the road could be there for access for specific harvesting of diseased and dying old slow-growth timber. You could haul the timber out or you could close the road, but recreational-

ists could still put their skiis on and ski down the road or could walk in or ride a horse in or otherwise limit traffic and use because it's disturbing the fish and wildlife. It just seems to me that the inland region is very serious. This deficit sale thing is not a good, it's a bad concept. The premise of it is bad in the first place because I'm not in the timber business, but I'll bet you in Idaho I enjoy the timber roads as much as anybody in the State because I can use them for access into the back country. Whether you drive up on some old logging road or hike in on it or in some cases, use horses or motorcycles or other means, there is a lot of recreational values that come out of timber roads. It just seems to me like that this would be a way to bring a stability to this inland region. I would agree with you, we ought to not charge into it too hard, but the premise of deficit sales is a bad thing. do you disagree with that?

Mr. McDowell. Oh, no, I totally agree with that. The major problem I pointed out is that the first entry sale pays for all of the road. It pays for the construction of that road, and all the other timber coming over it is, in essence, a ride in free.

Senator Symms. The first entry sale though may require exactly what the Sierra Club and other protectionists are against. It may require the forest ranger to go out there and sell 10 or 15 or 20 million board feet of timber in order to pay for the first entry sale, when he could have gone around with a small road and——

Mr. McDowell. That's right. I perceive what you're driving at. That's right, that you can probably pick and choose a little bit more carefully, if the road's in place already.

Senator Symms. When you're digging potatoes, and I've grown a lot of potatoes farming in Idaho, we don't harvest the green ones first. We always go to the field that's ready to dig first or, but somehow in forestry, we end up with all these national forests where, like you say, we have to cut through places we wouldn't otherwise cut in order to get to the mature timber, and pay for the road. I don't envy the people that have to run our national forests' timber sale program, frankly, with all these rules and regulations. If I was a forester, I'd rather be over in one of these tree farms that I've seen.

Mr. McDowell. Steve, I think that maybe the southern agency was a little bit shorted on this. The Forest Service has enough and roads that are being accessed into the old growth timber that they're not essentially cutting timber that should remain for another cycle. The trees that they're cutting now are the trees that should come out and it's true that there may be some farther behind in the drainage that needed more than the ones up front, but require putting that long investment in there, which would require an accelerated road program which is the thing I'm concerned about. I think we ought to be getting our returns out of those investments as rapidly as possible and we're going to have to forego, there is going to be some losses that we're going to have in forestry because we don't have that long-term road into the back end. There is some tradeoffs being made.

Mr. Bolle. I agree on this point. I think there is quite a distinct difference and I think you pointed it out very well, Howie and Senator Symms. The areas where there are good timbered areas where the watershed is not seriously affected, the other uses are consid-

ered and you have the conditions you were talking about. I think it's reasonable to do that and I think the economic analysis is being made, and considering cost-benefit ratio considers the whole picture and just not that first base which is the one that will cost the most money. This analysis has been used and it's a very good one, but I think in some cases, a road built and the farther back you're in and none of it brings you favorable benefit, so it seems to me that that distinguishing thing is very important and should be considered.

Senator SYMMS. Thank you very much.

Senator BAUCUS. One quick question. Maybe a long answer, hopefully not too long, and that's the talk that productivity on private industry forest lands is higher than it is on national forests. The second question is, the degree to which this bill will help address that difference.

Mr. MCDOWELL. Productivity is innate.

Mr. BOLLE. Well, of course——

Senator BAUCUS. Just a quick, short answer.

Mr. BOLLE. I'm not sure I see the relationship of the bill to that. Of course we have all kinds of programs. We're trying to get—the theory is—with more capital investment, timber stand improvement will increase the productivity of the national forests.

Senator SYMMS. If I could just——

Mr. BOLLE. The lands aren't capable of them.

Senator SYMMS. In some cases, it's a fact that the private land is, but in some cases it's not. If you're working for, say, a warehouse or lumber company, they know warehouses are going to own that 100 years from now, at least the managers think that that's the optimistic view of the future and plan accordingly. But somehow in the appropriated process of Government, it's on again, off again, whether it's the highway program, the defense program, whatever it is, the attitude is that we're going to do this now and then we backpedal and change and then we set an entirely different course. And I don't know how you can encourage people to go out there and manage a national forest for us with this on-again, off-again funding. I wouldn't personally do it. I'd go somewhere else where I could at least figure out what I'm going to do next year. We don't run our businesses that way--we run them on a long-term view of the future. Will this legislation help get a long-term view of the future built into the policies of the Forest Service?

Mr. BOLLE. It reminds me of a whole lot of instances. I think it's extremely important for that particular case because I think if you can get the program set up and it should be set up the way the investments will bring the biggest returns, if you don't have a long-term program rate on this, whatever happens to be for the first period on it will be totally forgotten the next time it comes along. We see this happening and happening. You go into, so many long-term forestry programs are just broken in the middle because something happens or somebody forgets or people change. I think the continuity of it and this itself, I think, will have a very important effect.

Senator BAUCUS. Thank you. I want to thank you both very much. Before you leave, I'd like to, for the record, point out that in this month's issue of National Geographic, there is an article enti-

tled "Our National Forest: Problems in Paradise." In the article's last section, Arnie, you're quoted. Let me just read a very short portion which I think is very much on point.

> Man holds the key to our forest's future, and pressure to accelerate harvests is borrowing from our grandchildren, Dr. Arnold Bolle told me: I see no calamity if we plan with intelligence. If we utilize new technology—which include grinding up whole trees and using powerful glues to remold them to our needs—we'll have wood left over for export without ever having to touch marginal forests on the West's high slopes.
>
> The planning must include all woodlands, private and public. For leadership we look to Government, the only body stable enough to plan for decades and centuries.

I agree with most of that. How about the last part?

Senator SYMMS. I was going to say God help us.

Senator BAUCUS. Anyway, Arnie and Howie, I thank you very much.

Mr. MCDOWELL. I'd like to make a statement about whoever did the research on the bill. We finally had to call the Office of General Counsel to find out what that bill was that related to paying the three counties in the Superior National Forest 3 to 5 percent of the fair market value of those lands. I never saw that before.

[The prepared statement of Mr. McDowell follows:]

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STATEMENT OF THE
INLAND FOREST RESOURCE COUNCIL
ON
S. 1141 - THE NATIONAL FOREST INVESTMENT FUND BILL
BEFORE THE
SENATE FINANCE COMMITTEE
September 1, 1982 Missoula, Montana

On behalf of the members of the Inland Forest Resource Council I want to express our appreciation for the opportunity to testify in support of S. 1141 - The National Forest Investment Act.

I am Howard G. McDowell, Executive Vice President of the Council, which is an association of forest products manufacturers operating in Montana and northern Idaho, essentially the boundaries of U. S. Forest Service Region One.

The primary objective of the Council since it's inception, has been a sustained supply of timber from public and private commercial forest lands.

We advocate an intensified national commitment to the sustained yield-multiple use policy for our national forests. The bill is an appropriate major step to meet that commitment since it provides a vehicle to finance long term capital improvements that will increase the productivity of the resources of the national forests.

Because the Council's primary goal is a sustained timber supply we are, understandably, most interested in those capital investments that will enhance that supply; they are reforestation, timber stand improvement and construction of permanent roads.

The national forests in Region One have a considerable backlog of commercial forest land acres in need of reforestation or timber stand improvement. Most of these acres, over long periods of time, will reforest or thin themselves naturally. That kind of waiting period is much too long. We should have, long ago, provided the capital funding for an orderly and accelerated program aimed at getting those lands back to producing the wood they are capable of growing. It is a commitment we need to make for future generations who will need that wood.

Investments in the construction of permanent roads are the third item, and not necessarily in that order of priority. Carefully planned road investments will bring quick returns to the fund in the form of receipts from timber harvest that should take place shortly after the roads are constructed. Those types of investments are almost always amortized much more rapidly than funds put into longer term reforestation or timber stand improvement.

The roads will continue to bring money periodically into the fund as additional sales are made following the first cutting cycle. They will also be in place in the event emergency salvage measures are needed, such as those resulting from fires, insect epidemics, windstorms, etc.. The values and returns are greatest when the salvage is expedited. Dead timber loses value rapidly.

The same roads will also provide additional access for the ever increasing thousands of woodcutters, intent on getting in their winter wood in the hope of reducing their dependency on higher priced fuels and thus cutting their heating costs. Berry pickers and recreationists will use those roads. They provide multiple benefits. If closures are needed to protect other resources the agency has the authority to do so, and does use that authority.

We have heard concern voiced that the fund would be used to access lands unsuitable for timber production, lands which might be allocated to Wilderness or other roadless category. The suitability of lands and their allocation will be determined in the national forest planning process now underway. Areas not considered suitable will not be roaded.

The confusion arises from so-called deficit sales where the timber values on a particular sale are not sufficient to meet the costs of road construction. This is especially true in times of extremely depressed markets, such as those we are experiencing now. The inequity is that the initial timber sale is supposed to pay for the entire road system that will access far more timber than is included in that original sale. Selectively harvested units that will have reentry and untouched areas tributary to the roads should all contribute to paying for the access, not just the first entry sale. This bill will provide the mechanism for correcting that inequity.

We have some recommendations that we believe will strengthen the intent of the bill.

There should be language that would provide for a limit on administrative overhead charges that would be paid out of the fund. The "Wood Residue Utilization Act" limited such expenditures to ten percent (10%). Our objective is a simple one, we want the investments to be put into the land, not into the office. There is a real concern on the part of some of our members that the bill might lead to overstaffing. I know from conversations with responsible Forest Service officials that they do not want this. What they fear even more is a boom-bust appropriations process. It is essential that an orderly long range capital improvement plan be developed. And then we are back to the big question - will there be the necessary regular appropriations that will implement the plan?

Section 4(a) requires an annual report of the financial conditions and operations of the fund during the preceding fiscal year. We recommend that either in the bill or in the report language that the Secretary of Agriculture should report on how the funds were spent; (a) planning, (b) engineering, (c) general administration and overhead, and (d) actual project dollars invested in the resource by category, such as acres of reforestation or wildlife habitat improvement, recreation facilities, road construction, etc.. This would enable the Congress to compare the results with the budget requests. We recognize that in the early stages, planning and engineering may appear to receive disproportionate funding, but that should level out once the program is in gear.

There is no mention of the various timber sale cooperative funds that are paid to the agency. These include brush disposal, road maintenance, erosion prevention, etc.. The Forest Service collects the money to perform these various jobs, for the purchaser, that are a direct result of his activity on the timber sale. We recommend that these cooperative accounts also be part of the interest bearing fund. There are many timber sales in the inland regions where cooperative funds and K-V payments (included in the stumpage rates) are much greater than the actual stumpage prices. All of this paid-in money should be drawing interest until used by the Forest Service, which may be two to three years after the payments are made.

We are assuming that other resource user groups that will benefit from this proposed legislation will respond for their particular interests. Some of them may face problems when cost/benefit analysis are made in terms of government expenditures and government returns. If in fact priorities are established, only recognizing monetary returns to the government, how could one justify a bridge in a Wilderness area (an example used by one of our members) that would provide safer travel, when it may be compared to investing in reforesting highly productive forest land in Oregon? The same comparisons hold true for wildlife habitat or watershed improvement funding.

Criteria other than a simple cost/benefit analysis must be established, recognizing that cost/benefit ratios will be important in establishing priorities. Those criteria must include the human values; a recognition of the people and communities economically dependent upon national forest resources, and the large numbers of Americans who fulfill their recreation needs in those same forests.

The Council supports the bill's basic concepts; funding for long term capital improvements from national forest receipts. But a problem exists.

The Administration and members of Congress may recognize the long term benefits from these types of investments, but their main focus historically has been on budgeting for short term solutions. This is where the major pressures are.

How would passage of this legislation translate that recognition into a more positive action for long term capital investments in the national forest budgets and appropriations?

This bill does two things that will more sharply focus the congressional eye.

The first is insisting that the Administration separate capital investments from operational expenses in their planning programs as required by RPA, the Resources Planning Act. Those capital improvements would then be a separate part of each annual budget request.

The second and corollary part of the process provided in the bill is the national forest (receipts) investment fund that is available to pay for those capital improvements in the President's budget.

The Congress then has before it a document that spells out clearly the capital improvement needs of the national forests, and the funds available to meet those needs; funds which have been earned by those same national forests.

We believe it is a powerful argument, but in all candor we cannot predict that the budget and appropriations committees and the Congress will share the strength of that belief.

Senator BAUCUS. Thank you very much. Next witness will be Everett Towle with the U.S. Forest Service Northern Region. Everett, glad to have you here. Since Howie referred to you, you can refer to him if you wish.

STATEMENT OF E. L. TOWLE, DEPUTY REGIONAL FORESTER, NORTHERN REGION, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. TOWLE. Maybe I should correct the record at least, my eyes aren't blue.

Mr. Chairman and members of the committee, we appreciate the opportunity to respond to the committee questions concerning capital investment programs and associated receipts and employment levels of the national forest system lands. As you know, the Forest Service programs and budgets are determined in the context of the overall Federal policy and budget. In recent years the administration and Congress have had to grapple with a long list of tax and spending issues. Overall fiscal objectives as well as other objectives have resulted in reductions and limited growth in many program areas. Administration is opposed to the earmarking of funds for special programs. If the program is a high priority need, it should receive favorable consideration in a normal budgeting process. Therefore, the administration opposes the enactment of S. 1141.

The forest and range land Renewable Resources Planning Act of 1974, which is RPA, provides a basis for Forest Service program planning. Two programs pursuant to this act have been completed. The latest was transmitted to the Congress in June of 1980. That program reflects a broad range of possible levels of output combinations. It was anticipated at that time that the actual program barring unforeseen developments would fall within that range. In November of 1980, Congress approved a revision of President Carter's statement of policy. Since that time, a number of significant changes has taken place in the overall economy and in a number of areas directly affecting demand for national forest outputs.

The best information available for response to your question is a comparison of the actual appropriations for 1982, the President's 1983 budget and the RPA program. Resource outputs associated with budget proposals and the RPA program are dependent on quote operation and maintenance of capital investments. The fiscal year 1982 appropriation and fiscal year 1983 President's budget provides information and an overview of the current situation with respect to capital investment items. The RPA figures presented represent the high bound of the 1980 program transmitted to the Congress by President Carter. The Carter program low bound was approximately 16 percent lower for 1982 and 18 percent lower for 1983.

Now, I'd like to give you some examples of the 1982 and 1983 capital investment program. In reforestation in 1982, the RPA called for a $150 million to be spent nationally. The 1982 appropriation was $139 million approximately. Now, in 1983, the RPA called for $180 million approximately, and the 1983 budget, present proposed budget was $158 million. Some other areas, in rangeland improvement, for example, the 1982 RPA program was $11.5 mil-

lion whereas the appropriation was a little over $9 million and in 1983, the RPA program called for approximately $14 million and the present budget was $6.5 million. In wildlife development, the 1982 RPA was $32 million and the 1982 appropriation was about $14 million whereas in 1983, the RPA program called for $26 million, approximately, and the President's budget was approximately $14 million. Those are all figures on the national scale.

Most capital investment work can be deferred without significantly altering a short-range supply of natural resources and in some cases, other alternatives can be found such as a less costly transportation system. Thus, given the current need to reduce Federal spending, the 1983 President's budget is less than the 1983 RPA program just as the 1982 appropriation was less than 1982 RPA program. Congress intended the annual appropriation process to make adjustments in the RPA recommended program based on the economy and the comparison of our natural resource opportunities to other natural priorities. The 1979 RPA assessment describes the current conditions of this Nation's forest and rangelands and their capacity to meet demands for commodities and uses that may be placed on them over the next 50 years. Projections of future demands recognize that these commodities and uses are both national and international markets. In general, the 1979 RPA assessment indicates increasing demand relative to the anticipated supply of outputs in forest and rangelands.

You asked that we discuss receipts as related to capital investments. Most of the Forest Service revenue or about 80 percent, comes from the sale of timber products. The flow of products over time is contingent upon existing timber inventories and capital investments for such items as timber reforestation, timber stand improvement, and road construction, as well as policy choices involving the rate of harvest and relationship among the various outputs of national forests. However, the actual revenue generated in a given year is also related to the current economic conditions of the Nation, housing starts, personal income, and things of this nature. Our current assessment of total receipts indicates that the Forest Service will generate approximately $1.1 billion in 1982, about $1.4 billion in 1983 and then $2.3 billion in 1987. These revenue trends mean that with the present level of capital investments, revenues can be increased in the short-term if expected market conditions are present. Longer term outputs, however, which are dependent on capital investments would be reduced if investments are not made. The key is to make those investments which contribute to net public benefits given proper measures of benefits and cost.

The 1985 RPA program update which we are working on now, will seek to provide better estimates in the future years. You also asked that we discuss employment related to capital investment. We no longer account for employment ceilings by temporary and permanent positions, but rather by fulltime equivalents. It's difficult to relate employment directly to capital investments. An increase in capital investment program in some areas such as reforestation, timber stand improvement, and wildlife development would result in hiring more temporary and administrative facilities while other areas, such as road and trail construction, would be largely contracted with the private sector.

This ends my opening statement and these comments have been on a national level and I would welcome any questions you have particularly on a regional scale.

Senator BAUCUS. Thank you very much, Everett. I'll just ask you a few questions and turn it over to Steve and then I might have a few more and Steve may have a few more, too, after that. Just to clarify the record, we referred to Forest Service capital investments. How would you define that term?

Mr. TOWLE. Well, it's an investment for the future and a one time investment such as reforestation, a plan of a site of trees or it might be thinning trees as far as timber stand improvement is concerned, and recreation, of course, it would be such as the development of a recreation area or perhaps an access area to provide access for hunters and fishermen.

Senator BAUCUS. With respect to the last point, how would you visualize, assuming this bill is enacted, the question of dollars allocated for roads? That is addressing the concern that some groups have that there might be unnecessary road construction. How do you think the Forest Service and the RPA would address that question?

Mr. TOWLE. There is a lot of miscommunications in this area and it is an important area. I think the forest plans will go a long ways to enter that, however. For example, there is a lot of concern that there will be roads built everywhere. When, in fact, at least the numbers that we have in this region indicate of the 26 million acres in this region, probably less than 11 million acres of those actually suitable for timber, either because of medication or because of allocation of those lands to other uses, so in the first place, you're not talking about roads and all the national forest system, you're talking about access to those lands that are suitable for timber and other multiple use management.

Senator BAUCUS. So what you're saying is there are a number of acres suitable for roads. How many? Eight million acres did you say?

Mr. TOWLE. In this region, approximately 11 million acres out of a total of 26 million.

Senator BAUCUS. I see. So then the other 15 million would not be suitable for road construction; is that correct?

Mr. TOWLE. That's right.

Senator BAUCUS. What kind of administrative cost cap do you think makes sense here?

Mr. TOWLE. I'm glad you asked that question. When I go back to the ranch, and if you restrict the people that get your apples into one basket, it may make the operation pretty inefficient and I would suggest that you be very careful with this, that you tell us what you want for outputs and how much money we got, but let us figure out what we need for people to get the job done. This area of administration is one, is controversial even in the service as well as out, but I think it needs to pay its own way and we need to use the best people we have in this program.

Senator BAUCUS. Are you saying that the Forest Service would have to hire more personnel?

Mr. TOWLE. Not necessarily. What I'm saying is don't hold us accountable for the quotage of what you want and the dollars and let

us, if we need more people in certain skill areas such as an engineer, it would be a mistake to not hire those skills and do a bad job.

Senator BAUCUS. I think that's right. But would you oppose a percent cap of, say, no more than 5 percent of expenditures in any term that could be used for administrative expenses?

Mr. TOWLE. I would have no difficulty with that not knowing what the impact is.

Senator BAUCUS. Based upon your experience and your understanding——

Mr. TOWLE. If you're putting cap on this program, you are, in fact, taxing other programs to pay for it.

Senator BAUCUS. Just off the top of your head, and we won't hold you to this, what is the absolute minimum cap?

Mr. TOWLE. I couldn't say; I couldn't say.

Senator BAUCUS. Would it be 10 percent or——

Mr. TOWLE. It would depend upon the program that you're talking about. I would think it would be something that you really need to do some research on. As I say, because once you're putting a cap on, it's something that we have to work with and it may lead to inefficiencies or it may be correct, but it is something that would be another regulation that would tend to make us more inefficient totally.

Senator BAUCUS. For the record, could you address this question and to the best of your ability, try to answer the question with a little more precision after you look at your resources? Can you do that, please?

Mr. TOWLE. I certainly can.

Senator BAUCUS. I'd also like you to answer the question that we asked Howie and Arnie. That is, what increased pressures do you see in the national forests throughout the rest of the century?

Mr. TOWLE. First of all, I think the allocation question that we're going through now with the forest planning is causing a lot of public discussion and good discussion in determining how these public lands will be used, and I don't know how long that debate is going to go on, but I see that as causing a lot of interest in how the lands are going to be used, and I would agree with you that the economy is going to change and the demands are going to increase and I would also agree that timber on the private lands is being cut faster in most cases than it is being grown. Therefore, you would expect more pressure on the national forest. I would also think that that's one of the real benefits of the national forest system. That you have these public lands that you can use to produce timber on a sustained basis to sustain the economy in these areas, so yes, I would see these pressures continuing and even increase. I would hope the forest plans would help us do a professional job to produce these outputs.

Senator BAUCUS. Do you have any thought as to whether 4 years is the right number of years for this bill? That is for trust funds in the general fund?

Mr. TOWLE. I guess I would like to give that some further thought, but Tim, I have no personal feeling any different than those preceding me.

Senator BAUCUS. What's the status of the northern region's reforestation backlog at this point?

Mr. TOWLE. We plan to have that completed by 1985 as scheduled. We've got about 170,000 acres to go, but we do——

Senator BAUCUS. Does that include timber stand improvement?

Mr. TOWLE. No, that's reforestation.

Senator BAUCUS. What about timber stand improvement?

Mr. TOWLE. I don't have those numbers for you.

Senator BAUCUS. If you could provide it for the record, I'd appreciate it very much.

Senator SYMMS. On that point, how bad was it, say, 5 years ago? You say you have 170,000 acres to go?

Mr. TOWLE. 170,000 acres.

Senator SYMMS. What was it 5 years ago? Are we making headway? Are we losing ground?

Mr. TOWLE. We are making headway and we will be completed by 1985 in this region. I don't have those numbers of where we've come from in the last few years, but again, I'd be glad to provide those for you.

Senator SYMMS. If I could interrupt. These budget numbers and the reforestation backlog numbers seem to change sometimes. Maybe it's because there has been more cutting or less or maybe it's budget or even political questions, I sometimes wonder, but in the overall national forest system, do you have those backlog numbers? You're talking about 170,000 acres for this region, but what about for the whole country? Do you have the figures for the whole national forest system?

Mr. TOWLE. No, I don't. Again, I could provide those for you. The reason those numbers change, I think originally those numbers that were provided were the best that we had and as we inventory those acres, you get some natural regeneration, you get some areas that have been determined that will not be economical to regenerate. You get some new land allocations that use those sites for other purposes, so those numbers have bounced around a little bit.

Senator BAUCUS. Are we making headway on timber stand improvement?

Mr. TOWLE. Yes, but not as much money goes into that as reforestation.

Senator BAUCUS. Why?

Mr. TOWLE. Well, I can't give you the answer. I can give you some of the figures, I think. In this region, the 1982 RPA and reforestation, for example, call for $22 million in 1982 an appropriation of $20 million. In 1983, the RPA reforestation is $18 million and the President's budget was $21 million, I think recognizing some priority there. The timber stand improvement in the 1982 RPA program called for 10 million acres and the 1982 appropriations was about 4½ million acres and in 1983, RPA program called for about $5.6 million and the President's budget was about $3.5 million.

Senator BAUCUS. Acres.

Mr. TOWLE. Right, dollars, I'm sorry. So, the timber stand improvement capital investments have not kept up with the RPA program as well as reforestation.

Senator BAUCUS. What are the effects of delaying range management capital investments? You might review for us again how the fiscal 1983 budget compares with the RPA high bound goal, but then again, explain to this committe what the effects are of delaying range management and capital investments.

Mr. TOWLE. Well, there is a continual annual benefit from a one-time range capital investment. A typical capital investment has an estimated 20-year life and we expect one time is needed in range improvements to produce an annual additional 1,000 annual unit months per year for the next 20 years.

Senator BAUCUS. $100,000?

Mr. TOWLE. $100,000 is needed in range improvements to produce an additional 1,000 in annual unit months.

Senator BAUCUS. And again, how does the fiscal 1983 budget compare with the RPA high bound goal, in range?

Mr. TOWLE. This is range improvements. In 1983, the RPA called for $3 million, roughly $3 million, and the President's budget is about $576,000.

Senator BAUCUS. What about the same analysis with respect to trails? What are the facts of failing to invest in trails?

Mr. TOWLE. Frankly, on our trail program, trails are in pretty poor shape in this region and all the region's trail capital investment in recent years have been reconstruction. Deterioration with bridges is a problem. With no trail capital investment program, the region would be unable to replace lost or failed bridges, reconstruct trails and that type of a capital investment. I think visitors would find some trails unusable without a lack of these funds. Now, we are putting some money into that in this year's budget and I think in 1982, approximately, a $100,000 in this region went into that and we do——

Senator BAUCUS. $100,000 in trails, in trail reconstruction, but under RPA, that would be quite a bit higher, wouldn't it?

Mr. TOWLE. Yes.

Senator BAUCUS. And finally with respect to wildlife habitat.

Mr. TOWLE. That is correct.

Senator BAUCUS. That is——

Mr. TOWLE. On an average, we could improve 5,000 acres say for elk habitat or 140 acres for fishery habitat or 170 acres of threatened species, so there is a lot of work that could be done within the 1983 RPA that is not funded at this time.

Senator BAUCUS. Is there a similar trade-off? That is, for each $100,000 invested in wildlife habitat development some estimate as to what effect that has on habitat capability and also what impact that might have on local economies?

Mr. TOWLE. This could mean an improved habitat for up to about 15 harvestable elk or deer and between 500, 600 steelhead or salmon. It could also generate up to 44 direct jobs, $1 million of expenditures for hunters, firemen and other users in the western Montana or northern Idaho economy, depending on where the improvements are, of course.

Senator BAUCUS. You're saying for a $100,000 investment, $1 million is spent in the economy? Are you saying that for every $100,000 spent in wildlife habitat development, that's roughtly 44 jobs? Maybe I misunderstood you.

Mr. TOWLE. You asked the question about for each $100,000 of that.

Senator BAUCUS. That's correct, what the effect is, according to your estimates.

Mr. TOWLE. On an averatge, we could improve 5,000 acres of elk habitat, 140 acres of fishery habitat at that time and 700 acres of habitat at that time for threatened and dangerous species, and then you asked about jobs and that would generate some 44 direct jobs and also some $1 million of expenditures for hunters, fishermen, and other users in the western Montana or hydroeconomy.

Senator BAUCUS. So what you're saying, that's for every $100,000 invested?

Mr. TOWLE. That's correct.

Senator BAUCUS. There is a very direct benefit to economies as well as to the habitat.

Mr. TOWLE. That's right.

Senator BAUCUS. Steve, do you have any questions?

Senator SYMMS. Well, I guess I might just make a comment. I don't want to put you on a spot, Everett.

Mr. TOWLE. That's all right.

Senator SYMMS. I recognize that you're opposing this and I understand the typical problems that we run into with OMB. It's not partisan, it's just a continuation of the same program, but the case is made here that we need some stability in our programs so that those of you that are professional foresters and professional land managers and so forth can have an existing program. It appears to me that your example of the 1982 and 1983 capital investment table makes the case for Senator Baucus and I. Do you agree with that?

Mr. TOWLE. I think it does identify the problems that we have in capital investment that have been discussed.

Senator SYMMS. But now if you can set aside your hat as the regional deputy director of the region up here, as a professional land manager and forester, do you think that this legislation would make your job harder or easier to do a good job of running the national forest in the public interest?

Mr. TOWLE. Well, again, I would say that we do have a problem in capital investments for the reasons that have been stated.

Senator SYMMS. So, in other words, you don't have a burning dislike for this bill, even though your position here officially is opposed to it.

Mr. TOWLE. You kind of put me in a tough spot.

Senator SYMMS. Personal opinion, I'm not trying to ask you as a——

Senator BAUCUS. He's already answered it.

Mr. TOWLE. Well, there is a problem in the annual budget process and 1 year we get high capital investment program and the next year we get a low one and I don't know the best way to correct that, but there is a term for capital investments——

Senator SYMMS. I'll just close in saying one last personal request, and I appreciate your testimony and the help that you've given us with your hearings. I would urge you to do what you can to not let the Forest Service kick the jet boaters off the Snake River down in Hell's Canyon.

Mr. TOWLE. I understand you have an interest in that. Thank you very much.

Senator SYMMS. That's one place where the boats aren't hurting anything. You can't tell where they've been.

Mr. TOWLE. We're aware of your interest in that.

Senator SYMMS. I just thought I'd remind you.

Senator BAUCUS. I want to thank you for coming, Everett, it means a lot to us. Thank you very much. We will have a 10-minute recess, and it will be held only 10 minutes. Our next witness will be Dean Pihlstrom immediately following the break.

[Whereupon, the hearing was in recess at 2:40 p.m. and subsequently reconvened at 2:50 p.m., and the following proceedings were had and entered of record:]

[The prepared statement of Mr. Towle follows:]

STATEMENT OF
E. L. TOWLE, DEPUTY REGIONAL FORESTER,
NORTHERN REGION, FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE
COMMITTEE ON FINANCE OF THE
UNITED STATES SENATE
MISSOULA, MONTANA
SEPTEMBER 1, 1982

Concerning Capital Investments on National Forest System lands

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to respond to the committee questions concerning capital investment programs and associated receipts and employment levels on National Forest System lands.

As you know, Forest Service programs and budgets are determined in the context of the overall Federal policy and budget. In recent years, the Administration and Congress have had to grapple with a long list of tax and spending issues. Overall fiscal objectives as well as other objectives have resulted in reductions and limited growth in many program areas. The Administration is opposed to the earmarking of funds for special programs. If the program is a high priority need, it should receive favorable consideration in the normal budgeting process. The Administration, therefore, opposes enactment of S. 1141.

The Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA) provides the basis for Forest Service program planning. Two programs pursuant to this act have been completed. The latest was transmitted to the Congress in June 1980. That program reflects a broad range of possible levels and output combinations. It was anticipated at that time that the actual program barring unforeseen developments would fall within

that range. In November 1980, Congress approved a revision of President Carter's Statement of Policy. Since that time, a number of significant changes have taken place in the overall economy and in a number of areas directly affecting demand for National Forest outputs. The best information available for response to your questions is a comparison of the actual appropriations for 1982, the President's 1983 budget and the RPA Program. Resource outputs associated with budget proposals and the RPA Program are dependent on both operation and maintenance and capital investments.

The fiscal year 1982 Appropriation and fiscal year 1983 President's Budget provide information and an overview of the current situation with respect to capital investment items. The RPA figures presented represent the high bound of the 1980 program transmitted to the Congress by President Carter. The Carter program low bound was approximately 16 percent lower for 1982 and 18 percent lower for FY 1983.

Examples of 1982 and 1983 Capital Investments ($ in thousands)

Regular Appropriated Funds	1982 RPA	1982 Appropriation	1983 RPA	1983 President's Budget
Reforestation 1/	$150,745	$139,203	$179,857	$158,050
Timber Stand Improvement 1/	47,117	45,934	74,867	47,975
Rangeland Improvements 2/	11,562	9,295	13,810	6,500
Recreation Development	10,874	4,916	50,580	4,504
Wildlife development	32,721	14,460	26,550	14,493
Road and Trail Construction	337,947	236,852	391,786	276,439
Other Capital Facilities	28,601	12,729	72,998	16,562
Soil and Water Improvement	13,245	1,775	18,357	305
TOTAL	$632,812	$465,164	$828,803	$524,828

1/ Includes Reforestation and TSI fund plus KV funds.

2/ Includes regular plus permanent range improvement.

Most capital investment work can be deferred without significantly altering the short-range supply of natural resources and in some cases other alternatives can be found such a less costly transportation system. Thus given the current need to reduce Federal spending, the 1983 President's Budget is less than the 1983 RPA Program just as the 1982 Appropriation was less than the 1982 RPA Program. Congress intended the annual appropriation process to make adjustments in the RPA recommended Program based on the economy and a comparison of our natural resource opportunities to other National priorities.

The 1979 RPA Assessment describes the current conditions of this nation's forest and range lands and their capacity to meet demands for commodities and uses that may be placed on them over the next 50 years. Projections of future demand recognize that these commodities and uses serve both national and international markets. In general the 1979 RPA Assessment indicates increasing demand relative to the anticipated supply of outputs from forest and range lands.

You asked that we discuss receipts as related to capital investments. Most of the Forest Service revenue (about 80 percent) comes from the sale of timber products. The flow of products over time is dependent on existing timber inventories, and capital investments for such items as Reforestation, Timber Stand Improvement, and Road Construction as well as policy choices involving the rate of harvest and relationship amorg the various outputs of National Forests. However, actual revenue generated in a given year is also related to the current economic conditions of the Nation, housing starts, personal income and things of this nature. Our current assessment of total receipts indicates that the Forest Service will generate a little over $1.1 billion dollars in 1982, about $1.4 billion in 1983, and $2.3 billion in 1987. These revenue trends mean that with the present level of capital investments, revenues can be increased in the short-term if expected market conditions are present. Longer term outputs which are dependent on capital investment would be reduced if investments are not made. The key is to make those investments which contribute to net public benefits given proper measures of benefits and costs. The 1985 RPA program update which we are working on now, will seek to provide improved estimates of future year flows of products and revenue related to staffing and capital investment requirements.

You also asked that we discuss employment related to capital investment. We no longer account for employment ceilings by temporary and permanent positions but rather by full-time equivalents (FTE's). It is difficult to relate employment directly to capital investments. An increased capital investment program in areas such as reforestation, timber stand improvement, and wildlife development would result in hiring more temporary employees while other areas such as road and trail construction and administrative facilities would be largely contracted to the private sector.

This ends my opening statement. I will be glad to answer any questions you may have.

Senator BAUCUS. The hearing will come back to order. Dean Pihlstrom will be our next witness and thank you for coming. We appreciate your presence here, Dean and if we can help you in any way, let us know.

STATEMENT OF DEAN PIHLSTROM, SECRETARY, ASSOCIATED REFORESTATION CONTRACTORS, INC., NEWPORT, OREG.

Mr. PIHLSTROM. Senator Baucus, Senator Symms, I represent the Associated Reforestation Contractors. We're a group representing about 50 contractors employing a seasonal high of 2,000 employees. We've only had a few days to analyze this bill, but one thing emerges to our attention and that is that this bill is going to create jobs, there is no question about it. We believe that the contracting process the Forest Service has been using for several years now has proved to be eminently successful, that we are delivering quality products in excellent quantity at the lowest price we could possibly deliver. We hope any increase in jobs will be funneled through this contracting process.

We want to emphasize the contract process should be maintained. We do have one big problem, though, and that is that the jobs that will be created by this bill in all likelihood will be filled by illegal labor. That's the present status of the industry, and it doesn't look like it's going to change. Our association has presented to the Forest Service on a number of occasions very simple recommendations to alleviate the situation. We estimate the approximately 10,000 jobs on Federal contracts on Federal reforestation contracts are now being taken by illegal aliens in regions 1, 3, 4, 5, and 6. The problem is not that the American citizens won't take these jobs. American citizens have always wanted to work in the forest and the pay is not bad either. It pays over $6 an hour. The problem is, the Service Contract Act is not being enforced. If you're a contractor that wants to go out and get yourself a very willing worker for $1 an hour, he'll dominate the market.

Senator SYMMS. You can't hire them for $1 an hour, can you?

Mr. PIHLSTROM. For example, on June 30, 1982, 20 illegal aliens were apprehended east of Boise, Idaho, while planting trees on the Sawtooth National Forest. According to them, they were being paid $6 per day.

Senator SYMMS. $6 per day?

Mr. PIHLSTROM. Minimum wage is $7 an hour. They were being paid $6 per day.

Senator SYMMS. By golly, there are illegal aliens that are working on many Idaho farms. I'm not doubting your testimony, but I don't believe you can hire any illegal alien in Idaho for $1 an hour.

Mr. PIHLSTROM. I'm quoting the Idaho Statesman. I'll admit that is low and that's why I use it as an example. However, the factor still remains when I have to pay $7 an hour entry level, they'll beat the hell out of my price.

Senator SYMMS. I understand your point, but I doubt if the Statesman has got the right figures in this instance.

Mr. PIHLSTROM. Well, that was a quote from Immigration and Naturalization. We feel it's very important that you make sure

these jobs do go to citizens. We have the remedies if you'll listen. The Forest Service will not listen.

Also, speaking on behalf of myself and not on behalf of the association, I have a problem with the—I know Senator Symms, you're pretty mechanical with the public dollar, and this kind of goes against the grain of our industry, but the private industries are reforesting their land for half to one-third of what the Federal Government is spending. There is no reason for that. They're wasting the money. They do a super job on suitable practices. What they're doing is spending half of the money or 95 percent of the money for the last 5 percent of quality.

Senator BAUCUS. The Forest Service is.

Mr. PIHLSTROM. That's right. Sometimes the land is checkerboarded. The private timber companies produce trees, faster growing trees, higher rates of survival for one-third of the cost. We feel, I feel, not we, I feel there is money being wasted on things that any commonsense kind of guy, and I can give you examples right now if you want them, commonsense kind of guy would say that's ridiculous. That's the end of my testimony.

Senator BAUCUS. Do you have any ideas how we can address the illegal alien problem?

Mr. PIHLSTROM. Very briefly. Real short simple answers. Ones that won't create new bureaucracies, get completely away from the simple bill. In region 6 right now, there is a law in the contracts that says if a contractor, contracting officer is notified by immigration twice on two occasions, that contract is thrown into default and terminated. The problem is reforestation contracts last 15 to 20 days, 30 days, maybe, you're on to the next forest, there is not time to bust twice. If we could change that to one bust, default, and termination automatic, put some protection in for inadvertent use.

We do not want any discrimination against Americans and American citizens and we don't want to hedge his bet by hiring nobody of that heritage. If you can hire four or five illegal aliens on your crew, that will eradicate the problem. You can't have four guys on the crew that are being paid $2 an hour and eight guys on the crew $8 an hour. If we can remove the mitigated damages clause that contracting officers are currently under whenever they have to reprocure a contract if a contractor has illegal aliens, he's not only going to underbid me by a penny, he's going to underbid me by $1. His costs are so much lower that to reprocure the contract, the Forest Service is going to have to dig very deep in their pocket to have me come in to do it. We have a number of other suggestions, but I have them as part of the written record.

Senator BAUCUS. Just a couple of quick questions. What specific recommendations do you have with respect to the proper level of reforestation expenditures that the Forest Service ought to be maintaining?

Mr. PIHLSTROM. I don't know dollar amounts. I know there is no excuse for having a backlog. Private industry wouldn't tolerate it. Even though there are private industries that are way behind on their reforestation, the prudent ones, the most profitable ones, Weyerhaeuser, Publisher Paper Co., some of those, they're right on top of it, whatever it takes to get the ground reforested.

Senator BAUCUS. You heard the Forest Service backlog estimate. Are you satisfied that their estimates are correct?

Mr. PIHLSTROM. I have no knowledge. I'm not privy to that. I don't know.

Senator SYMMS. I know you're trying to catch a plane, Dean. I appreciate your testimony very much and we certainly will take it under consideration. I'll just let the questions go now or you're not going to make it. We may have a question or two I want to submit for the record, but we can deal with them at a later time. We'll let you go, but thank you very much.

Senator BAUCUS. Thank you, Dean. Thanks for making an effort to come here. Appreciate it very much, learned something, too.

Senator SYMMS. I wish we'd have your suggestion. You might want to write your suggestions on how we could reduce our costs in the national forests so we could continue when we're acting on their appropriations and authorizations.

Mr. PIHLSTROM. You bet.

[The prepared statement of Mr. Pihlstrom follows:]

A.R.C.

September 1, 1982

Testimony before the Senate Finance Committee by Dean Pihlstrom, Secretary of the Associated Reforestation Contractors, Inc.

Senator Baucus, Senator Symms and Committee:

The Associated Reforestation Contractors thanks you for this time to address the issues of the National Forest Investment Fund Act. My name is Dean Pihlstrom, I am secretary of the Association.

Though we have had only ten days to analyze this bill, one point emerges to our attention: this bill will create jobs.

By creating a more predictable, steadier flow of funding, jobs will be created for the work of planting backlogged acres and for the less publicized backlog of precommercial thinning. Besides these two needs, there are a multitude of cost efficient, productive projects needed to maintain healthy forests. These are not make-work jobs, they will deliver a return on investment.

The mechanics for putting people to work are already in place. The Associated Reforestation Contractors and the US Forest Service know that the most efficient manner to maintain the forest is by contracting with the private sector. Presumably, because of the federal job freeze, and the trend away from bigger government, as well as the proven lower costs, job creation stemming from this act would be carried out through the current competative bidding contract process.

There is however one hidden but horrendous flaw if the jobs created by this act flow through the contract process. I assure you, that the jobs created by this act will be filled by illegal alien labor. American citizens will not get these jobs. That is a hard fact.

Associated Reforestation Contractors Inc.

P.O. Box 1508
Newport, Oregon 97365

Illegal alien workers now consume over 10,000 jobs in US Forest Service regions 1,3,4,5, and 6, covering eleven western states. That masses of illegal alien workers are allowed on Federal contracts while America is facing the highest unemployment rate since the Great Depression is in my view an abdication of the public trust.

The well worn adage that American citizens won't do these jobs doesn't wash here. Americans have a long history of seeking work in our magnificient forests. And the pay is not bad either. Since these are Federal contracts, they fall under the dictums of the Service Contract Act which currently requires a minimum wage of over $7.00 per hour.

It is ironic that the very Act promulgated to serve and protect the American worker now keeps him from obtaining the job in the first place. You see, the Department of Labor barely enforces the law on the reforestation industry. When they do audit, they tend to audit the established legal contractor, since he is easily found. Anyone chooseing to take his chances can hire a very willing but illegal worker for $1.00 per hour and reap a windfall profit on Federal reforestation contracts. For example, on June 30, 1982 twenty illegal alien workers were apprehended east of Boise, Idaho while planting trees on the Sawtooth National Forest. They were being paid $6.00 per day. The awarded bid was only 9% less than if the forest had given the job to a firm employing American citizens.

Though perhaps incidental to this hearing, we must bring to your attention that the physically cruel and crippling abuses directed at the illegal alien worker in the forestry service industry will not find a contempory parrelell in this country. That illegal aliens are cheated on wages is not startling, but is the history of such labor. But when on Federal contracts in the Targhee National Forest a contract supervisor leaves one of his employees who had broke his back in three places while on the job in the crew tent for three weeks while he finishes the project, before bringing the man to a doctor, this is not a minor abuse. I could fill this hearing room with hundreds of hours of similiar testimony.

Before the National Forest Investment Fund Act can put more people to work, we must be assured that American citizens will get the jobs. The Associated Reforestation Contractors seeks that the simple remedys many times already proposed to the US Forest Service and BLM be adopted as part of this Act.

It is a shame that not just the current 10,000 jobs, but also the thousands of jobs created by this bill, might not go toward alleviating the job pressure on the most hard to employ sector of society--disadvantaged youth. Any analysis of a legal reforestation contractors' workforce will reveal that our employees tend to be high school dropouts, have had some problems with the law, are mostly homeless and are certainly broke. They also tend to be in the 17 to 23 year old age group. They also are excellent workers--delivering high production with sustained quality--when given the chance and directed with good management.

Our Association applaudes the National Forest Investment Fund Act, and will seek to work with this committee to rectify with minor change the few pitfall we see to exist.

Sincerely,

Dean Pihlstrom

Secretary

DEAN PIHLSTROM, INC.
P.O. BOX 286
NEWPORT, OR 97365
(503) 444 - 2519

May 4, 1982

Congressman Jim Weaver
1645 Oak Street
Eugene, Oregon 97401

Dear Mr. Weaver,

Thank you for your continued concern and support in the undocumented alien issue plaguing the reforestation industry in the Pacific Northwest.

I would like to follow up on the April 19th meeting at your Eugene office with the following ideas to substantially alleviate the pending issue.

Federal legislation making it illegal to hire undocumented aliens would solve the problem. However, this seems to be politically impossible, and with some good reasons. For example, discrimination against Mexican-American citizens, lack of reasonable verification procedures, and the apparent need for these workers in some agricultural areas.

The pending Simpson-Mazzoli bill (H. R. 5872) prohibits employers from knowingly hiring undocumented workers. This is a step in the right direction, but for obvious reasons, is inadequate. The penalty clause is so weak that it almost need not exist. This bill could help solve some of the inequities of our situation if the penalties were increased to include at least a fine levied against the employer for each undocumented alien apprehended. Another angle that could be explored is to provide harsher penalties against federal contractors. Certainly there is precedence for requiring federal contractors to exercise more social responsibility than is required of the business community as a whole. While it pains me to see more regulations placed on our industry, with current laws not being enforced or simply being inadequate, we legitimate contractors will very soon be extinct without them.

Federal legislation may take too long, and may prove impossible. Thus I wish to outline administrative measures that when implemented, would produce substantial results.

There are contracting officers with the Forest Service and BLM that deplore the continued use of undocumented aliens. However, their hands are tied if they do not wish to award a project to a low bidder who has a long history of undocumented alien use. The best they can do is to request a Certificate of Competency from the Small Business Administration. The current Certificate of Competency requirements are a joke. They do, however, have potential power. Financial capacity and management ability are the norms used to determine award of a C of C. If ethics, and past business performance were added as guidelines, most contractors employing aliens would be crippled. You see, when the Immigration and Naturalization Service does apprehend a crew of aliens, in most instances the contract falls significantly behind schedule. Oftentimes there is ample cause to default and terminate that contractor's right-to-proceed.

If any contractor has defaulted any federal project in the past three years because of undocumented alien use, he should be ineligible to receive a Certificate of Competency. If the INS certifies that a contractor has been consistantly apprehended for undocumented alien useage, he should be denied a C of C for ethical deficiency.

My third point concerns the USFS/BLM's reluctance to impose enforcement of Clause 9 of their General Labor and Standards Provisions.

> Clause 9 (a): The contractor shall...be responsible for obtaining any necessary licenses and permits, and for complying with any applicable Federal, State and municipal laws, codes and regulations in connection with the prosecution of the work.

Oftentimes, if a contractor is prepared to knowingly use alien labor, he is also prepared to fudge on other laws. Workers' compensation coverage, proper Service Contract Act compliance and lack of meeting Federal payroll withholding and matching requirements are a few examples of laws held in wide disregard by segments of the contracting community engaged in employing undocumented aliens.

In Oregon we already have a law against knowingly hiring illegal aliens. Perhaps we may be more successful altering state law to solve our problem than at the federal level. However, this would be useless unless the agencies recognized state laws' jurisdiction on federal contracts.

My fourth point requires stiffening present administrative policy. Mr. Bob Crowe at the Region 6 office last year issued a 6 point policy aimed at this problem. His letter was hailed as a step forward. One of his points required contracting officers to default and terminate the contract when INS certified on two occasions that aliens were being used on the project. If we could require default and termination after one notice from INS, we would break the back of the issue!!

Perhaps some allowances need to be made for inadvertent or minor use of undocumented aliens. It is possible for a scrupulous contractor, trying to hire only American citizens without any ethnic bias, to let a few undocumented workers inadvertently slip by his safeguards. My opinion is that if over ½ the crew or greater than 6 workers proved to be undocumented, that contract should fall under the enforcement mandate of this administrative law.

It should be noted that only minor economic harm will befall the contractor who truly intended to employ citizens and meet all the laws incumbent on him, yet was defaulted under the aforementioned administrative clause. The reason is that his bid price probably reflected his intent to hire citizens ect., and as such, another law abiding contractor can be found to finish the job at the same price. All too often, the contractor who intends to utilize undocumented aliens will under bid the marketplace and government estimate by a substantial margin, thus only another illegitimate contractor can afford to finish the defaulted project at the old bid price.

My fifth point seeks to change the mitigated damages requirement contracting officers must adhere to when seeking to reprocure default terminated projects. After termination the CO currently must seek the lowest reprocurement price, even if that means dealing with a contractor with a history of illegal alien use.

What I advocate is allowing the CO to waive the mitigated damages requirement whenever the default termination was caused by the use of undocumented workers. The CO would then be free to reprocure with reputable firms at closer to the government's original estimate. I see no reason why a contractor who submits bids far below government estimates, intending to utilize illegal labor should have "rights" when he gets caught.

In this same vein, we need to change the way monies needed for higher reprocurements costs are obtained. Presently,

when the CO default terminates a contract and reprocures at a higher price, the forest or district must come up with the difference between the cost of the original contract and the new reprocured contract. This comes from their immediate budget. Of course the bond is attached to pay for reprocurement costs and possibly administrative costs. But these monies go into the general fund of the United States. What is needed is for the CO to be able to draw upon funds supplied directly from the bond. In this manner the agencies will be more inclined to kick out a contractor because he employes aliens and falls behind in executing his obligation to the government.

My seventh point is to require that a certified payroll (similar to that required under the Davis-Bacon Act) be submitted to the contracting officer prior to any payment being processed. Since on tree planting projects the agencies produce extensive and fairly accurate daily dairies of the contractor's progress, the CO could compare the certified payroll against the government record to see if rough compliance with the minimum wage requirements of the Service Contract Act are being met. While compliance with this act is the Department of Labor's job, they do not audit on substantial enough scale to make a hill of beans.

You see, the reason undocumented aliens are a viable work force is that they'll work for less money than citizens of our country. But since the Service Contract Act prescribes certain minimum wages ($5.91 plus a schedule of benefits or about $6.25), those of us not prepared to break this ill-enforced law must end up paying a higher average hourly wage than that paid to undocumented workers. Thus, armed with lower wage costs (plus whatever other laws they are prepared to violate) they succeed in submitting low bids on agency projects. A certified payroll would resolve this wage differential problem.

As is implied in the above point, it is the wage differential that allows these unscrupulous contractors to control a large segment of the market. The Service Contract Act maintains this differential. If the law cannot be enforced, then let us remove obligatory compliance to this law. I see little positive effect of requiring this law on our industry. It is troublesome to comply with. Let's dump it.

In the absence of SCA wage requirements, the marketplace would decide the prevailing wage structure. Since entry level to reforestation work is geared toward unskilled workers, it is realistic to expect minimum wages to drop over $2.00 per hour. It should be noted that very few experienced reforestation workers would suffer pay cuts since they are already paid substantially higher wages than are required under the SCA. The new worker would absorb the lower wage--the worker that is presently unemployed, dis-

placed by an illegal alien. Armed with lower (i. e. competitive) wage rates, I believe the operating efficiencies and more experienced, stable workers employed by legitimate contractors would oust undocumented aliens from reforestation.

My last point deals with restricting certain contracts to the employment of local labor. There are some forests that have shown consistent tolerance and in fact, preference, to illegal alien crews. They receive more acres work per budget dollars. They have a basic conflict of interest on this issue. Implicit in this conflict is their disregard for the needs of the local labor force who depend on jobs that stem from the government's vast land holdings in the counties in which they reside.

Years ago, when logging ceased in the Redwoods of Northern California, a special provision was added to the Labor Standards Provisions on forestry service contracts in that area. It mandated that displaced loggers etc., be given first shot at reforestation projects in that area.

I am calling for a review of this option for implementation on forests that cannot (or will not) fight the undocumented alien issue on their lands.

Implementation of most of my proposals would severely inhibit unscrupulous contractors. Of course, these programs would have to be uniformly and widely adopted. Again, my points are mostly ones achievable administratively--a strong argument for their adoption.

One year ago, the Forest Service and BLM stated that they "...are the trustees of the public lands. As trustees (we) have an obligation to guarantee that jobs controlled by (our) agencies through the contract process go to United States citizens."

They have had a chance to clean up the mess. If they still cannot do it, they are being irresponsible to their public trust. They should have either their jobs taken from them or have the land taken from their trust.

Sincerely,

Dean Pihlstrom
President

cc: Senator Hatfield
Senator Packwood

Summary of Suggestions:

1. Adopt federal legislation or strengthen the Simpson-Mazzoli Bill with harsher penalties.

2. Strengthen SBA's Certificate of Competency standards to include ethical standards and past business performance prior to issuance.

3. Agency enforcement of Clause 9 of General Labor Provisions.

4. Alter Region 6 policy to default and terminate after one notice from INS. Add some protection for inadvertent use.

5. Release contracting officer from mitigated damages requirement when reprocuring contract default terminated due to use of undocumented workers.

6. Allow excess administrative and reprocurement cost charged against contractors bond to go directly to forest to pay another contractor to finish delinquent job.

7. Institute a certified payroll requirement prior to payment.

8. Remove reforestation from Service Contract Act compliance.

9. Require "hire locally" clauses on worst offending forests.

10. Require uniform adoption of effective policies throughout USFS and BLM. Encourage State agencies to conform.

99-698 O—82——5

SUPPLEMENTAL GENERAL AND LABOR STANDARDS PROVISIONS TO 6300-38 (7/80)

Form FS-6300-38, General and Labor Standards Provisions for Non-Personal Services, is hereby supplemented as follows:

PART B - LABOR STANDARDS PROVISIONS

The following is added:

Clause 8. Employment of Local Labor

The contractor performing work under this contract shall employ, in carrying out such contract work, qualified unemployed persons who regularly reside in the county in which the project is located. The term "contractor" shall include any subcontractor.

The contractor, when recruiting unemployed persons, shall utilize the services of the State Employment Development Department. Priority shall be given to (1) persons who have exhausted unemployment benefits, (2) to unemployed persons who are not eligible for unemployment benefits (except for persons lacking work experience), and (3) to unemployed persons who have been unemployed for fifteen or more weeks.

If qualified unemployed persons are not available within the county in which the project is located, the contractor may seek unemployed persons from outside the county. If the contractor is still unable to recruit employees from outside the county, a person who is not unemployed and who resides within the county may be hired.

If unemployed persons are not available, evidence will be required of compliance with the above provisions no later than 10 days after work on the project has begun. This evidence must be in the form of letters from the State of California, Employment Development Department for the appropriate county in which the project is located and at least one other adjoining county stating that qualified unemployed persons were not available.

The contractor shall maintain records of (1) the number of persons employed on the project; (2) the number of persons recruited through the State Employment Development Department; (3) the number of persons employed from outside the county; and (4) the number of persons hired who were not unemployed and who reside in the county.

In the event of the contractor's non-compliance with the requirements of this clause, contract action may be taken as provided in GENERAL PROVISIONS, Clause 5, "Termination for Default: Damages for Delay: Time Extensions".

Senator BAUCUS. Our next witness will be Gary Brown who is the State forester from the State of Montana. Gary, appreciate your help here. Go ahead.

STATEMENT OF GARY G. BROWN, STATE FORESTER, MISSOULA, MONT.

Mr. BROWN. I have the same affliction that Howie McDowell has, so the person, the staff person that helped me with this testimony made the attempt to make it very brief and very short, so if I could read it.

Senator BAUCUS. Absolutely. You bet.

Mr. BROWN. I guess to be brief, I'll start out with a statement that I support Senate bill S. 1141 and would like to make this statement. Approximately 1 billion board feet of timber is being harvested annually from the forests of Montana. This timber provides the raw material necessary to maintain the lumber, plywood, and pulpmills in this State. Currently, a little over 40 percent of the timber is being derived from the national forests of Montana, 50 percent from private lands and the remaining portion harvested from other public lands. In 1969, over 60 percent of the timber supply came from the national forests and less than 30 percent came from the private lands. Private industry is accelerating the old growth timber from their industrial forest lands to where much of it will be liquidated within the next 5 to 10 years. After that, more reliance will be placed on the national forests and the nonindustrial/private lands needed to supply the raw materials. The timber program of the national forest will need to be increased to a present potential level to 1.5 billion board feet for the region which includes a 0.75 billion board foot yield for the national forests of Montana. This level must be achieved in order to maintain the current community dependency from the forest products industry.

Federal timber is truly important to Montana's economy. Management of natural resources in a forest requires careful long-term investments. These investments over time will result in good management of the forest. They will produce multiple benefits. These include timber, as well as recreational, wildlife, and range. Specifically for timber, it means improving the age class distribution of forest stand. It means timely application of cultural treatments, such as planting and thinning. It means approving the forest's potential yield and facilitates the even flow of forest products to the mills. The RPA goals for timber sales in Montana for the period of 1983–86 are: 1983 was 622 million board feet; 1984 was 626 million board feet; and in 1986, 640 million board feet.

It appears to me a 50-percent increase in capital investments for roads will be needed to meet the above RPA goals. A gradual increase in cultural investments needs to be planned in order to maintain the RPA goals for timber. Investments in access roads and forestry activities will need to be accelerated in order to increase the current national forest timber sale program from 560 million board feet to 750 million board feet annually. The most important investment needed at the present time is in roads.

Approximately 45 percent of the available and suitable commerce forest lands in Montana are eroded, yet the volume sold

has equaled 75 percent of the total potential yield from the available and suitable commercial forest lands. In order to maintain the present sustained yield on the national forests in the region, over $18 million is needed in appropriated road investments annually. Currently the level has been in the neighborhood of $12 to $14 million. If investments in roads are not increased, then there will be a proportionate decrease in the current sale program in the future. In order to increase the sustained yield above the present program, investments in tree cultural activities must be undertaken in addition to investments and roads. Long-term, carefully planned and sound forest investments would mean better coordination for the management of timber and all other natural resources.

Senator BAUCUS. Thank you, Gary. Does the State have a capital budget with respect to capital investment and State lands?

Mr. BROWN. Most of our funds for TSI—timber stand improvement—and brush disposal to reduce the fire hazard from State timber sales comes from the sale of timber. However, there are funds now being made available that renewable resources development funds which come from the coal State tax in the amount of about $240,000 a year. We have submitted requests to use those funds. The legislature determines what projects will be funded, so, yes, but it's a short-term thing. The legislation, as it's being interpreted now, is that it's a one-time-only investment that can be made by the division of forestry with those funds. We would like to foresee that change so that we'll have a continual investment program as you're talking about here for national forest lands.

Senator BAUCUS. Does the State have more of a capital investment program than say the Forest Service with respect to anything, timber stand improvement, reforestation, wildlife? I'm just curious if there is any difference in the State's efforts in capital improvement compared with the Forest Service, as near as you can tell.

Mr. BROWN. The degree, you know, they own so many hundred acres, I would say that the intensity of our interest to do that kind of thing is just as intense as that of the Forest Service.

Senator BAUCUS. It's not significantly more intense or less intense? It's about as intense.

Mr. BROWN. I don't think so, right.

Senator BAUCUS. I'd like your view of increased demand on the national forest in the future. What do you see happening down the road? The degree to which there would be greater pressure to harvest national forests?

Mr. BROWN. I think there will be more demand for national forest timber. Private industries, industrial private is harvesting low growth to minimize their losses as any prudent businessman would do. The time would come when the old growth will be gone, mills will be modified to utilize the smaller material, rotation ages are presently, I'm guessing this figure, I think it's somewhere around 80 or 90 years with the industry of private. The need to increase the capability of a particular, not to increase the capability because you can't do that, but to utilize the capability that exists on an acre of ground has to be, you have to make a capital investment to make it produce that wood on fewer trees. OK, so what you're doing, in essence, is eliminating the loss of mortalities

due to insect and disease or whatever, and so there are stands that need intensive management that cannot be reached because there are no dollars being generated from timber harvesting. There are acres of ground up these drainages you were talking about that you need roads to get into those stands that you cannot, you don't have the dollars available to you to get to those stands because there is no timber to be harvested in that particular drainage.

OK, now, to answer your question, there will be an increased demand on the Forest Service land because there is going to be an age distribution gap in the trees that are going to be remaining on private lands, State lands, and small private landowners. There is just going to be a gap in those age class distributions and therefore, when that occurs, then the old growth on the forest lands are going to be in demand, there is going to be an increase in need to harvest from national forests.

Senator BAUCUS. So you think there would be a significant increase, that's your feeling.

Mr. BROWN. Nationally, yes. In Montana, it won't be. The demand is going to be there and the Forest Service in this region are going to help in the national demands to satisfy the national demand, but I see it as based upon, on the Forest Service plans that I read that are out that I read, the lands that are being set aside for that purpose, growing commercial timber and those other acres where the use is compatible with growing timber. It doesn't appear that there is going to be a significant increase. There will be an increase, but not a tremendously significant increase in the availability of Forest Service timber. Yet, their potential can be increased, the potential of the national forest can be increased like we're discussing here today.

Senator BAUCUS. As administrator, do you have any recommendations about any levels or caps or administrative expenditures?

Mr. BROWN. I can remember when we were given an opportunity, the State of Montana Forestry Division was given the opportunity to put people to work in the wood and dollars were made available, but they would not let us, the legislature would not let us add people for supervision, and I'll have to agree with Everett Towle as to what you're doing. We had to take supervision from within the division of forestry and what you're doing, in essence, is foregoing other projects that could be equally as important because you have to administer that program and so I don't know what the figure would be, I don't know what percentage of administration. It should be, but there is that problem with dollars and you don't have people to administer the program.

Senator BAUCUS. Steve?

Senator SYMMS. Thank you very much, Gary, for your testimony. I have only 1 question right now, and I hope it doesn't spark 100 more. How far behind are you on reforestation of the State's lands? State's lands?

Mr. BROWN. We're pretty well up to date. I can't give you an exact figure. It's within 500 acres. That's pretty close.

Senator SYMMS. The previous witness made the statement that lumber companies or State landowners wouldn't tolerate the level of, or maybe I should say, the lack of reforestation that we tolerate on the national forest. Do you tend to agree with that?

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Mr. BROWN. Well, certainly it makes sense to have an acre of ground back into production as quickly as you can after it's been harvested, but if you have no budget for it, how do you do it? OK. There are some problem areas as far as reforestation is concerned on State lands and I better make a statement regarding that.

Senator SYMMS. He said a private lumber company could reforest out here for a third of the cost it was costing us on the Federal lands.

Mr. BROWN. We know on State lands that we can get a less expensive job in reforestation and thinning if we contract it.

Senator SYMMS. Are you hiring illegal aliens in the State of Montana?

Mr. BROWN. Not that I'm aware of. Whether it's a third, I don't know, but I do know under contract you can do a less expensive job of reforestation and thinning than if you tried to do it with personnel within the division of forestry.

Senator BAUCUS. You do just as well at less cost.

Mr. BROWN. Sure, the quality. You can write a contract——

Senator BAUCUS. Why is that? Why a significant improvement in the cost/benefit?

Mr. BROWN. Well, because you're putting out, you ask for bids and, of course, that makes contractors pretty lean sometimes.

Senator SYMMS. Really isn't it the fact that you've got a guy out here that's got a big incentive to get the job done and he's out there working with the crew? I know from my experience as a farmer, if you work with the crew personally, they're going to do more work.

Mr. BROWN. That's true.

Senator SYMMS. You've got an incentive because your profit comes out of the work.

Mr. BROWN. But, you know, we, in the division of forestry, I don't have people who do one job. Everybody in the division of forestry does every job that the Department of State lands and the division of forestry are responsible for. Some jobs require a higher overhead than others. Fire, for example, you know, that's not a revenue, fire control is not a revenue-producing function, OK, but yet, you know, when we——

Senator SYMMS. Infrequently it may be if you shut the fire off.

Mr. BROWN. Well, yeah.

Senator SYMMS. I mean it keeps from having a revenue loser.

Mr. BROWN. Yeah, you know, it's an outlay of funds and so on, but I have a feeling that you're assuming that just because the bureaucrats are doing it that it's more expensive than if it was contracted and that's true, but there are reasons, sometimes, that are justifiable and administrative costs are expensive.

Senator SYMMS. I understand. I don't mean to be casting any stones at anybody that happens to be in the Forest Service bureaucracy. Since my wife's brother is with the Service, I have to be careful what I say. I thank you.

[The prepared statement of Mr. Brown follows:]

SENATE FINANCE COMMITTEE HEARING
MISSOULA, MONTANA
SEPTEMBER 1, 1982

NATIONAL FORESTER INVESTMENT FUND ACT (S.1141)

GOOD AFTERNOON:

MY NAME IS GARY G. BROWN, STATE FORESTER, MY ADDRESS IS 2705 SPURGIN ROAD, MISSOULA, MONTANA 59801.

I SUPPORT S.1141 AND MAKE THIS STATEMENT:

APPROXIMATELY ONE BILLION BOARD FEET OF TIMBER IS BEING HARVESTED ANNUALLY FROM THE FORESTS OF MONTANA. THIS TIMBER PROVIDES THE RAW MATERIAL NECESSARY TO MAINTAIN THE LUMBER, PLYWOOD AND PULP MILLS IN THE STATE.

CURRENTLY, A LITTLE OVER 40% OF THE TIMBER IS BEING DERIVED FROM THE NATIONAL FORESTS OF MONTANA, 50% FROM PRIVATE LANDS, AND THE REMAINING PORTION HARVESTED FROM OTHER PUBLIC LANDS. IN 1969, OVER 60% OF THE TIMBER SUPPLY CAME FROM THE NATIONAL FORESTS AND LESS THAN 30% CAME FROM PRIVATE LANDS. PRIVATE INDUSTRY IS ACCELERATING THE REMOVAL OF OLD GROWTH TIMBER FROM THEIR INDUSTRIAL FOREST LANDS TO WHERE MUCH OF IT WILL BE LIQUIDATED DURING THE NEXT 5 TO 10 YEARS. AFTER THAT, MORE RELIANCE WILL BE PLACED ON THE NATIONAL FORESTS AND NONINDUSTRIAL PRIVATE LANDS FOR SUPPLYING THE NEEDED RAW MATERIALS. THE TIMBER PROGRAM ON THE NATIONAL FORESTS WILL NEED TO BE INCREASED TO ITS PRESENT POTENTIAL YIELD LEVEL OF 1.5 BILLION BOARD FEET FOR THE REGION, WHICH INCLUDES A .75 BILLION BOARD FOOT YIELD FOR THE NATIONAL FORESTS OF MONTANA. THIS LEVEL MUST BE ACHIEVED IN ORDER TO MAINTAIN THE CURRENT COMMUNITY DEPENDENCY FROM THE FOREST PRODUCTS INDUSTRY. FEDERAL TIMBER IS TRULY IMPORTANT TO MONTANA'S ECONOMY.

MANAGEMENT OF NATURAL RESOURCES IN A FOREST REQUIRES CAREFUL, LONG TERM INVESTMENTS. THESE INVESTMENTS, OVER TIME, WILL RESULT IN GOOD MANAGEMENT OF THE FORESTS. THEY WILL PRODUCE MULTIPLE BENEFITS. THESE INCLUDE TIMBER AS WELL AS RECREATION, WILDLIFE AND RANGE.

SPECIFICALLY, FOR TIMBER, IT MEANS IMPROVING THE AGE CLASS DISTRIBUTION OF FOREST STANDS. IT MEANS TIMELY APPLICATION OF CULTURAL TREATMENTS SUCH AS PLANTING AND THINNING. IT MEANS IMPROVING THE FORESTS' POTENTIAL YIELD AND FACILITATES THE EVEN FLOW OF FOREST PRODUCTS TO THE MILLS.

THE RPA GOALS FOR TIMBER SALES IN MONTANA FOR THE PERIOD 1983-86 ARE:

1983	622 MILLION BOARD FEET
1984	616 " " "
1985	626 " " "
1986	640 " " "

A 50% INCREASE IN CAPITAL INVESTMENTS FOR ROADS WILL BE NEEDED TO MEET THE ABOVE RPA GOALS. A GRADUAL INCREASE IN CULTURAL INVESTMENTS NEEDS TO BE PLANNED IN ORDER TO MAINTAIN THE RPA GOALS FOR TIMBER.

INVESTMENTS IN ACCESS ROADS AND FORESTRY ACTIVITIES WILL NEED TO BE ACCELERATED IN ORDER TO INCREASE THE CURRENT NATIONAL FOREST TIMBER SALE PROGRAM FROM 560 MILLION BOARD FEET TO 750 MILLION BOARD FEET ANNUALLY. THE MOST IMPORTATANT INVESTMENT NEEDED AT THE PRESENT TIME IS IN ROADS. APPROXIMATELY 45% OF THE AVAILABLE AND SUITABLE COMMERCIAL FOREST LANDS IN MONTANA ARE ROADED; YET, THE VOLUME SOLD HAS EQUALLED 75% OF THE TOTAL POTENTIAL YIELD FROM THE AVAILABLE AND SUITABLE COMMERCIAL FOREST LANDS. IN ORDER TO MAINTAIN THE PRESENT SUSTAINED YIELD ON THE NATIONAL FORESTS IN THE REGION, OVER 18 MILLION DOLLARS ARE NEEDED IN APPROPRIATED ROAD INVESTMENTS ANNUALLY. CURRENTLY, THE LEVEL HAS BEEN IN THE NEIGHBORHOOD OF 12-14 MILLION DOLLARS. IF INVESTMENTS IN ROADS ARE NOT INCREASED, THERE WILL BE A PROPORTIONATE DECREASE IN THE CURRENT TIMBER SALE PROGRAM IN THE FUTURE. IN ORDER TO INCREASE THE SUSTAINED YIELD ABOVE THE PRESENT PROGRAM, INVESTMENTS IN TREE CULTURAL ACTIVITIES MUST BE UNDERTAKEN IN ADDITION TO INVESTMENTS IN ROADS.

LONG-TERM, CAREFULLY PLANNED, AND SOUND FOREST INVESTMENTS WOULD MEAN BETTER COORDINATION FOR THE MANAGEMENT OF TIMBER AND ALL OTHER NATURAL RESOURCES.

THANK YOU.

Senator BAUCUS. Thank you, Steve, thank you, Gary, very much, for your presence. Let's include the next three witnesses on a panel which includes Betty Livingston, Montana Women & Timber, and Keith Olson with the Montana Logging Association, and Bob Helding with the Montana Wood Products Association.

OK, Betty, why don't you proceed first?

STATEMENT OF BETTY K. LIVINGSTON, DEER LODGE, MONT.

Ms. LIVINGSTON. I'd first like to say, Mr. Baucus and Mr. Symms, that I'm very happy to be able to testify at this hearing and even though my information is just from a local viewpoint, I hope that some of it will be usable. I think that America's national forests are one of our most valuable assets and so it's time that we see about taking better care of it.

I live in the area of the Deer Lodge National Forest and I have spoken with people that work for the Forest Service there and I'd like to tell you some of the things that they have said. In the area of reforestation, he said that they average from 40 to 100 acres annually, which is quite inadequate for the acreage harvested in an average year. In an average year, they would harvest from 15 to 16 million board feet.

Timber stand management should and could be intensified if funding were available. He said the need is there. If they could do all the thinning they needed to, the trees would be larger, would be more salable trees.

Road maintenance funds are too low to keep permanent roads in repair. They only have been just keeping up the main roads and not bothering with the others.

Range management needs have fallen below par in all areas, especially in personnel to handle permits and to check fences and other things they do in range management.

Watershed management is left mainly to the rancher, again, a lack of funds.

Improved campgrounds are getting run down, proper maintenance not given because of lack of funds.

And the ranger there said that trail maintenance is practically nonexistent. They just don't have the funds at all and wildlife management needs more funding. You need people to patrol off-limited areas and such. I visited with people who are leasing national forest lands for grazing and one of the ranchers, and he, well, two of the ranchers told me that the dams and roads and the watershed areas were built with private money and up to $2,500 per project from the ASCS. The dams, the creeks, roads, fencing, and crossings are all maintained with private money because the Forest Service lacks money for upkeep.

The ranchers are charged fees for the dams and the groundwater is stored on a plus per head grazing fee. A percentage of the fee goes to the county and a percentage to the Forest Service who is to put the money back in form of maintenance on the allotment. So it looks like all capital improvements in the Deer Lodge National Forest are underfunded, so it would seem reasonable that all national forests need funding that is so realistic.

The national forest has been one of the best Government investments with the return of $4 for each $1 that is invested. Now, this figure could be wrong. My figures could be outdated. If these forest revenues could be more realistically reinvested in capital improvements for the national forest system, there would be no problem in maintaining a sustained and even larger yield of commercial timber.

As to Senate bill 1141, we feel that we can support the concept of the National Forest Investment Fund Act and we have two recommendations that we would like to make. One is an annual request from each national forest for capital improvement funds separate from operating expenses, and second, annual accounting from each national forest showing accurately how the moneys were spent.

In closing, I'd just like to say that our national forests have been, from America's founding until the present time, an integral part of our Nation's growth, wealth, and stability, while providing housing and employment, wildlife and recreation of all kinds, plus an abundant water supply, and our forests have served us well and will continue to if cared for in a responsible manner, which we believe the concepts embodied in Senate bill 1141 would do.

[The prepared statement of Ms. Livingston follows:]

MONTANA WOMEN IN TIMBER

Business Office
1007 5th. St. Deer Lodge, Montana 59722
Betty M. Livingston President

SENATE FINANCE COMMITTEE HEARING S 1141
Missoula Montana
Sept. 1 1982

Mr Baucus, Mr Symms, Committee Members:

I appreciate the opportunity to testify about one of America's most valuable assets, our National Forest's, and what we can do to better care for it. I live in the area of the Deer Lodge National Forest, and I'd like to share with you some of the existing conditions there.

1. REFORESTATION averages from 40 acres to 100 acres annualy, which is quite inadequate for the acreage harvested in an average year.
2. TIMBER STAND MANAGEMENT should and could be intensified if funding were available, the need is there.
3. ROAD maintenance funds are too low to keep permanent roads in repair.
4. RANGE management needs have fallen below par in all areas.
5. WATERSHED management is left mainly to the rancher, again a lack of funds.
6. IMPROVED CAMP GROUNDS are getting run down, proper maintenance not given, lack of funds.
7. TRAIL maintenance is practically non existant.
8. WILDLIFE management needs more funding.

On the ' Forest leasing ' side, I visited with rancher's who lease grazing land, and found that the dams and roads in the watershed areas were built with private money, and up to $2,500 per project from the A.S.C.S.. The dams, creeks, roads, fencing and crossings are all maintained with private money, because the Forest Service lacks money for upkeep.
Rancher's are charged fees for the dams and the ground the water is stored on, plus a per head grazing fee.

A percentage of the fee goes to the county and a percentage to the Forest Service who is to put the money back in form of maintenance on the allotment.
It appears all capital improvements in the Bear Lodge National Forest are under funded, so it would seem reasonable that ALL National Forests need funding that is realistic.

The National Forest has been one of the best government investments, with a return of $4.00 for each $1.00 invested. If these forest revenues could be more realistically reinvested in capital improvements for the National Forest System there would be no problem in maintaining a sustained and even larger yeild of commercial timber.

As to Senate Bill ~~1411~~ 1141 we can support the concept of The National Forest Investment Fund Act, with the following recommendations:

A. Annual request from each National Forest for capital improvement funds seperate from operating expenses.
B. Annual accounting from each National Forest showing accurately how the monies were spent.

Our National Forests have been from America's founding until the present time an integral part of our nation's growth, wealth and stability, while providing housing, employment, varied wildlife, and rereation of all kinds plus an atundant water supply.
Our forest's have served us well and will continue to if cared for in a responsible manner, which the concepts emodied in Senate Bill 1141 would do.

Betty K. Livingston
Montana Women in Timber

Senator BAUCUS. Thank you, Betty. Keith, why don't you go next?

STATEMENT OF KEITH L. OLSON, EXECUTIVE DIRECTOR, MONTANA LOGGING ASSOCIATION, KALISPELL, MONT.

Mr. OLSON. As an ex-Idahoan, a special welcome to Senator Steve Symms. I'm sure it's not prudent to violate the intent or the request of a Senator very often, but I limited my remarks to about 10 minutes and if I try to summarize much, all I could say is we support your bill.

I am Keith Olson, executive director of Montana Logging Association, and our office is in Kalispell.

On behalf of the nearly 330 independent logging contractors who comprise the Montana Logging Association, we appreciate this opportunity to comment on the legislation proposing the establishment of the National Forest Investment Fund. As citizens who live and work in Montana's forested regions, we utilize and appreciate the numerous values our national forests provide. As independent small businessmen, we understand that if our forests are to indefinitely provide these values, they must be managed. Management requires the revenues generated by our national forests be reinvested to insure that our forests do not stop producing for lack of capital.

As timber harvesters, we initiate the conversion of standing timber into the numerous end products that our growing population consumes. Since we literally work on the ground floor, the results of forest management are continuously before our eyes. We are aware when a stand of timber has been over harvested or underharvested. We are aware when regeneration does or does not take place. We are aware when forest access roads are overdeveloped or underdeveloped. We are aware when logging practices adversely affect water, soils and wildlife. We are aware when our timber lands are being consumed by insects and disease, In short, we are aware when our national forests are being managed, unmanaged and mismanaged.

Provided that each national forest retains the flexibility to prioritize their specific capital expenditures, S. 1141 should result in management practices superior to present application. The National Forest Investment Fund, however, is merely the financial vehicle by which this Nation's forest management will be funded. In concert, Congress must also act and resolve land use conflicts if our national forests are to be truly managed. In Montana at this time, some 5 million Federal acres are under some form of study. Of these, over 3 million acres have been recommended for nonwilderness. These acres must be released so the members of our national forest can get on with their job of management as S. 1141 prescribes. Discussions regarding wilderness recommendations, further study areas and release language invariably leads to the statement by some that there is no urgent need to decide the fate of national forest land under study. As a professional forester who has traveled through much of Montana's forested areas, I respectfully disagree.

Currently the principal beneficiary of study areas, as well as timber sale extensions, I might add, are the mountain pine beetle, the spruce beetle and the spruce bud worm. Insects have systematically infested in excess of 5 million acres of Montana's timberland and that infestation is growing. Allowing one of Montana's most precious natural resources to waste away is frustrating and agonizing for any professional committed to multiple use management. It further represents nonmanagement. Wilderness by its very name requires nonmanagement; provisional wilderness created through study area forester's mismanagement. All set-aside timber lands, regardless of their literal designation, are, in effect, breeding grounds for the insects and diseases which prey on our timber resource. We have no qualms with the restricted uses prescribed for national parks or designated wilderness areas. However, if we are to permit these set-aside areas to become reservoirs of the destructive natural enemies of our timber lands, should we not commit adequate protection for timbered areas immediately beyond the boundaries of these reserves? This underscores the urgency for Congress to expeditiously release all timberlands recommended for nonwilderness.

As an association committed to managing Montana's timber lands, we view S. 1141 as a vehicle to address the threat of insects, disease and the inevitable consequences of forest fire. This, however, requires the construction of forest access roads. Roads in themselves are an emotional issue to various forest users. However multiple use management of our forests cannot proceed without access. Furthermore, we sincerely believe the construction of forest access roads must once and for all be removed from timber sale contracts. Because of the current economic situation, many purchasers of Federal timber sales have exercised their option to obtain 2-year contract term adjustments. These extensions have resulted in a halt to the construction of many forest access roads. This lack of access has deprived our national forest managers of the flexibility to salvage insect infested timber lands thereby aggravating the epidemic.

Allow me the privilege of reviewing a classic example of this dilemma. In the Kalispell and Eureka area, many lumber producers are currently producing Canadian saw logs. Though the Canadian Government does not normally allow the export of saw logs, they have waived that restriction because the timber drainage near the U.S. border has become infested with the mountain pine beetle and no economical market for this timber exists in Canada. Thus, in order to salvage the timber, a stop the beetle epidemic, reforest the drainage and put Canadian loggers to work, the Canadian Government is literally dumping these logs on the U.S. market at approximately the cost of logging and hauling.

U.S. mills, striving to survive, are purchasing these inexpensive Canadian logs and simultaneously requesting extensions on more expensive U.S. timber sales they have purchased. Do you find it incredulous that Canadian salvage logs are being utilized by U.S. lumber producers while our own forests are under seige to the very same infestation? Consequently, U.S. loggers, their suppliers and dependent communities ponder their fate while Canadian loggers work. The pine beetle epidemic is addressed in Canada while it in-

tensifies in the U.S. and local governments dependent upon timber sales revenues seek other sources of funding.

This dilemma exists because the U.S. lacks an aggressive or at least an adequate salvage timber sale program because Federal regulatory agencies lack the flexibility to adapt to changing economic circumstances and because forest access roads are not constructed ahead of timber sale offerings. If S. 1141 will amend this mismanagement, let us proceed.

[The prepared statement of Mr. Olson follows:]

MONTANA LOGGING ASSOCIATION
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TESTIMONY AS REGARDS

S. 1141
THE NATIONAL FOREST INVESTMENT FUND
PRESENTED BY
KEITH L. OLSON, EXECUTIVE DIRECTOR

BEFORE
U. S. SENATOR MAX BAUCUS AND U. S. SENATOR STEVE SYMMS

ON
WEDNESDAY, SEPTEMBER 1, 1982
AT
MISSOULA, MONTANA

SENATOR BAUCUS, SENATOR SYMMS:

ON BEHALF OF THE NEARLY 300 INDEPENDENT LOGGING CONTRACTORS WHO COMPRISE THE MONTANA LOGGING ASSOCIATION, WE APPRECIATE THIS OPPORTUNITY TO COMMENT ON LEGISLATION PROPOSING THE ESTABLISHMENT OF THE NATIONAL FOREST INVESTMENT FUND.

AS CITIZENS WHO LIVE AND WORK IN MONTANA'S FORESTED REGIONS, WE UTILIZE AND APPRECIATE THE NUMEROUS VALUES OUR NATIONAL FORESTS PROVIDE. AS INDEPENDENT SMALL BUSINESSMEN, WE UNDERSTAND THAT IF OUR FORESTS ARE TO INDEFINITELY PROVIDE THESE VALUES THEY MUST BE MANAGED. MANAGEMENT REQUIRES THAT REVENUES GENERATED BY OUR NATIONAL FORESTS BE REINVESTED TO ENSURE THAT OUR FORESTS DO NOT STOP PRODUCING FOR LACK OF CAPITAL.

AS TIMBER HARVESTORS WE INITIATE THE CONVERSION OF STANDING TIMBER INTO THE NUMEROUS END PRODUCTS THAT OUR GROWING POPULATION CONSUMES. SINCE WE LITERALLY WORK ON THE "GROUND FLOOR" THE RESULTS OF FOREST MANAGEMENT ARE CONTINUOUSLY BEFORE OUR EYES. WE ARE AWARE WHEN A STAND OF TIMBER HAS BEEN OVER-HARVESTED OR UNDER-HARVESTED. WE ARE AWARE WHEN REGENERATION DOES OR DOES NOT TAKE PLACE. WE ARE AWARE WHEN FOREST ACCESS ROADS ARE OVER-DEVELOPED OR UNDER-DEVELOPED. WE ARE AWARE WHEN LOGGING PRACTICES ADVERSELY AFFECT WATER, SOILS AND WILDLIFE. WE ARE AWARE WHEN OUR TIMBERLANDS ARE BEING CONSUMED BY

INSECTS AND DISEASE. IN SHORT, WE ARE AWARE WHEN OUR NATIONAL FORESTS ARE BEING MANAGED, UNMANAGED AND MISMANAGED. PROVIDED THAT EACH NATIONAL FOREST RETAINS THE FLEXIBILITY TO PRIORITIZE THEIR SPECIFIC CAPITAL EXPENDITURES, S. 1141 SHOULD RESULT IN MANAGEMENT PRACTICES SUPERIOR TO PRESENT APPLICATION.

THE NATIONAL FOREST INVESTMENT FUND, HOWEVER, IS MERELY THE FINANCIAL VEHICLE BY WHICH THIS NATION'S FOREST MANAGEMENT WILL BE FUNDED. IN CONCERT, CONGRESS MUST ALSO ACT TO RESOLVE LAND USE CONFLICTS IF OUR NATIONAL FORESTS ARE TO BE TRULY MANAGED. IN MONTANA AT THIS TIME 5 MILLION FEDERAL ACREAS ARE UNDER SOME FORM OF STUDY. OF THESE, OVER 3 MILLION ACRES HAVE BEEN RECOMMENDED FOR NON-WILDERNESS. THESE ACRES MUST BE RELEASED SO THE MANAGERS OF OUR NATIONAL FOREST CAN GET ON WITH THEIR JOB OF MANAGEMENT AS S. 1141 PRESCRIBES.

DISCUSSIONS REGARDING WILDERNESS RECOMMENDATIONS, FURTHER STUDY AREAS AND RELEASE LANGUAGE INVARIABLY LEADS TO THE STATEMENT BY SOME THAT THERE IS NO URGENT NEED TO DECIDE THE FATE OF NATIONAL FOREST LAND UNDER STUDY. AS A PROFESSIONAL FORESTER WHO HAS TRAVELLED THROUGH MUCH OF MONTANA'S FORESTED AREAS, I RESPECTFULLY DISAGREE. CURRENTLY, THE PRINCIPAL BENEFICIARY OF STUDY AREAS (AS WELL AS TIMBER SALE EXTENSIONS) ARE THE MOUNTAIN PINE BEETLE, THE SPRUCE BEETLE AND THE SPRUCE BUDWORM. INSECTS HAVE SYSTEMATICALLY INFESTED IN EXCESS OF 5 MILLION ACRES OF MONTANA'S TIMBERLAND--AND THE INFESTATION IS GROWING. ALLOWING ONE OF MONTANA'S MOST PRECIOUS NATURAL RESOURCES TO WASTE AWAY IS FRUSTRATING AND AGONIZING FOR ANY PROFESSIONAL COMMITTED TO MULTIPLE USE MANAGEMENT. IT FURTHER REPRESENTS NON-MANAGEMENT. WILDERNESS BY ITS VERY NAME REQUIRES NON-MANAGEMENT; PROVISIONAL WILDERNESS, CREATED THROUGH STUDY AREAS, FOSTERS MISMANAGEMENT.

ALL SET-ASIDE TIMBERLANDS, REGARDLESS OF THEIR LITERAL DESIGNATION, ARE, IN EFFECT, BREEDING GROUNDS FOR THE INSECTS AND DISEASES WHICH PREY ON OUR TIMBER RESOURCE. WE HAVE NO QUALMS WITH THE RESTRICTED USES PRESCRIBED FOR

NATIONAL PARKS OR DESIGNATED WILDERNESS AREAS; HOWEVER, IF WE ARE TO PERMIT THESE SET-ASIDE AREAS TO BECOME RESERVOIRS OF THE DESTRUCTIVE NATURAL ENEMIES OF OUR TIMBERLANDS SHOULD WE NOT COMMIT ADEQUATE PROTECTION FOR TIMBERED AREAS IMMEDIATELY BEYOND THE BOUNDARIES OF THESE RESERVES? THIS UNDERSCORES THE URGENCY FOR CONGRESS TO EXPEDITIOUSLY RELEASE ALL TIMBERLANDS RECOMMENDED FOR NON-WILDERNESS.

AS AN ASSOCIATION COMMITTED TO MANAGING MONTANA'S TIMBERLANDS, WE VIEW S. 1141 AS A VEHICLE TO ADDRESS THE THREAT OF INSECTS, DISEASE AND THE INEVITABLE CONSEQUENCES OF FOREST FIRE. THIS, HOWEVER, REQUIRES THE CONSTRUCTION OF FOREST ACCESS ROADS. ROADS IN THEMSELVES ARE AN EMOTIONAL ISSUE TO VARIOUS FOREST USERS; HOWEVER, MULTIPLE USE MANAGEMENT OF OUR FORESTS CANNOT PROCEED WITHOUT ACCESS. FURTHERMORE, WE SINCERELY BELIEVE THE CONSTRUCTION OF FOREST ACCESS ROADS MUST ONCE AND FOR ALL BE REMOVED FROM TIMBER SALE CONTRACTS. BECAUSE OF THE CURRENT ECONOMIC SITUATION, MANY PURCHASERS OF FEDERAL TIMBER SALES HAVE EXERCISED THEIR OPTION TO OBTAIN 2 YEAR CONTRACT TERM ADJUSTMENTS. THESE EXTENSIONS HAVE RESULTED IN A HALT TO THE CONSTRUCTION OF MANY FOREST ACCESS ROADS. THIS LACK OF ACCESS HAS DEPRIVED OUR NATIONAL FOREST MANAGERS OF THE FLEXIBILITY TO SALVAGE INSECT INFESTED TIMBERLANDS, THEREBY, AGGRAVATING THE EPIDEMIC.

ALLOW ME THE PRIVILEGE OF REVEALING A CLASSIC EXAMPLE OF THIS DILEMMA. IN THE KALISPELL AND EUREKA AREA MANY LUMBER PRODUCERS ARE CURRENTLY PURCHASING CANADIAN SAWLOGS. THOUGH THE CANADIAN GOVERNMENT DOES NOT NORMALLY ALLOW THE EXPORT OF SAWLOGS THEY HAVE WAIVED THAT RESTRICTION BECAUSE A TIMBERED DRAINAGE NEAR THE U. S. BORDER HAS BECOME INFESTED WITH THE MOUNTAIN PINE BEETLE, AND NO ECONOMICAL MARKET FOR THIS TIMBER EXISTS IN CANADA. THUS, IN ORDER TO SALVAGE THE TIMBER, STOP THE BEETLE EPIDEMIC, REFOREST THE DRAINAGE AND PUT CANADIAN LOGGERS TO WORK, THE CANADIAN GOVERNMENT IS LITERALLY "DUMPING"

THESE LOGS ON THE U. S. MARKET AT APPROXIMATELY THE COST OF LOGGING AND HAULING.

U. S. MILLS, STRIVING TO SURVIVE, ARE PURCHASING THESE INEXPENSIVE CANADIAN LOGS AND SIMULTANEOUSLY REQUESTING EXTENSIONS ON MORE EXPENSIVE U. S. TIMBER SALES THEY HAVE PURCHASED. DO YOU NOT FIND IT INCREDULOUS THAT CANADIAN SALVAGE LOGS ARE BEING UTILIZED BY U. S. LUMBER PRODUCERS WHILE OUR OWN FORESTS ARE UNDER SEIGE TO THE VERY SAME INFESTATION? CONSEQUENTLY, U. S. LOGGERS, THEIR SUPPLIERS AND DEPENDENT COMMUNITIES PONDER THEIR FATE WHILE CANADIAN LOGGERS WORK; THE PINE BEETLE EPIDEMIC IS ADDRESSED IN CANADA WHILE IT INTENSIFIES IN THE U. S.; AND LOCAL GOVERNMENTS DEPENDENT UPON TIMBER SALE REVENUES SEEK OTHER SOURCES OF FUNDING.

THIS DILEMMA EXISTS BECAUSE THE U. S. LACKS AN AGGRESSIVE SALVAGE TIMBER SALE PROGRAM; BECAUSE FEDERAL REGULATORY AGENCIES LACK THE FLEXIBILITY TO ADAPT TO CHANGING ECONOMIC CIRCUMSTANCES; AND BECAUSE FOREST ACCESS ROADS ARE NOT CONSTRUCTED AHEAD OF TIMBER SALE OFFERINGS. IF S. 1141 WILL AMEND THIS "MISMANAGEMENT", LET US PROCEED.

Senator BAUCUS. Thank you, Keith. Bob?

STATEMENT OF ROBERT N. HELDING, EXECUTIVE DIRECTOR, MONTANA WOOD PRODUCTS ASSOCIATION, MISSOULA, MONT.

Mr. HELDING. Thank you, Max. On behalf of the Montana Wood Products Association, I want to thank you and Senator Symms for coming here to Missoula and I, too, want to support the enactment of this measure. I'm going to be summarizing because a lot of the material has already been said and as a lawyer, I'm not going to compete with a professional forester. You can learn forestry from them and I'll talk about something else.

In Montana, we've got the third largest industry on its knees. Basically, gentlemen, we've got an industry that usually employs between 8,200 and 10,000 plus people with a $200 million payroll. I would estimate we're probably down 28 to 40 percent. We're pretty bad. Now, in Montana we've got about 23 million acres of forests of which we figure 70 percent is commercial forest lands and I think you've heard already the U.S. Forest Service is the largest owner, he owns 61 percent or 9.8 million acres of this. Our annual yield generally of cut timber in Montana is between one point one and one point 2 billion board feet annually and since 1976, I think the State Forester testified that State lands and private lands have provided more wood than the natioal forest even though the national forest owns some 70 percent.

Another one of our main problems is the withdrawal of commercial forest lands from the base, the RARE II study, and I think you fellows ought to get that done before another 16 years goes by, I hope, but I'd like to quote U.S. Forest Service Resource Bulletin INT-7, 1976 entitled "Timber Rescurces and Industries in the Rocky Mountain States." That's us. It says, "The Mountain States as a whole contain the highest percentage of their total timber inventory in public ownership, 83 percent. Eighty-three percent belongs to the public. Conversely, the Mountain States rank lowest in the percentage of forced inventory under private management. Consequently, future development of timber resources are largely dependent on management by public agencies" unquote. And this is where I think your National Forest Investment Fund Act can fit in because we're dealing with a large amount of public lands in this operating area of both our States and I think that the need for capital improvements has been demonstrated and I think this bill will go a long ways toward providing that type of thing.

I notice you fellows were asking about timber volumes coming. The Forest Service predicts, I think, by the year 2020 that we will double the consumption of wood in the United States. We will virtually double what we're consuming now, so we'll be up around some 79 or 80 billion board feet as against some 42 billion.

If you were going to follow the particularities of the Congressional Act, the Housing Act of 1968, it calls for 2.6 million houses per year during the 1980's. You're going to fall far short of that, so you're going to have a continuing need for wood.

Now, the Canadians have already told us they can't keep sending us the amount of wood they've been sending us. This last year, the Canadians provided 38 percent of our total national wood needs,

and so because the Canadians are going to back off and because we have more people coming, we're going to have to make better use of the lands that we do have and this, I think, this act itself will go a long ways toward providing or attempting to provide the added wood that we're going to have to have in the years to come, and so I just want to summarize and say that we support the S. 1141 and we believe it will be needed to insure adequate future timber supply for generations yet to come as well as improving the access to such lands by members of the public who wish to enjoy the recreational benefits on such lands as well as to engage in calm pursuits of hunting and fishing and so forth, and with that, I thank you.

Senator BAUCUS. Thank you, Bob. Keith, you raised on interesting point about roads. As you know, some groups worry that there may be, under this bill, too many roads. What's your answer to that? What's your response to their concerns that roads will be constructed that aren't economically viable? Under the purchaser creditor program, there is some economic test as to whether the road is constructed, but if this bill were to become law with additional dollars available, too many roads might be constructed.

Mr. OLSON. I think that may be somewhat unfounded. It appears, what we would like to see is get away from the purchaser credit altogether. Let's have the Government build those roads a couple or 3 years ahead of the timber sale program so that if the bugs get into it, we can go in and salvage it, therefore we can put a small sale with the short expiration dates and if they're purchased, they've got to be logged and that means we're going to harvest our dead and dying timber instead of letting it sit until the market conditions come around to whatever was bid on. I think if we make intelligent decisions, hopefully, our people are very capable of that, that they won't build roads into an area where they're not going to get an economical return. I think Arnie Bolle touched on that very finely. I really think that if we take the timber, the roads away from the timber sale contracts, we'll have a better system than what we're headed for right now.

Senator BAUCUS. I'm just curious—a little off the subject. What's happening with the Canadian soft woods? I know you touched on the log problem because of the harvesting of infested stands, but what's happening lately with respect to Canadian soft wood imports? The last I heard it was about 30 percent of American consumption that is Canadian soft woods. I'm curious as to whether that's still the case.

Mr. OLSON. Last year was 38 percent. I imagine it's relative. It's still a large part of our wood consumption. Although it's down, they're down like we are, about the same percentage.

Senator BAUCUS. The difference, I'm told, is due primarily to the lower stumpage in Canada as well as lower transportation costs. I'm wondering whether this bill would tend to, in any way, offset some of that or whether that's an entirely different problem.

Mr. OLSON. Well, if I may answer, if they withdraw and hold back on further shipments and cut back like they've told us they're going to, then I think this will have a great effect.

Senator BAUCUS. Do you know what the status is of the suit before the International Trade Commission?

Senator SYMMS. I can't answer that. My understanding is that it's to be filed this month, in September sometime, apparently.

Senator BAUCUS. I appreciate your statement very much, too. Betty, I note in your statement you have some concerns there might not be sufficient accounting as to what the Forest Service is actually doing with the dollars, and second, whether there would be sufficient separation between capital and operating budget. The purpose of the bill is to certainly make that distinction between capital and operating budget. I don't know whether we should refine it down to each forest.

Ms. LIVINGSTON. We felt that people in each forest would have an on-the-ground view of what's going on in their forest and therefore they should make the recommendations what they need.

Senator BAUCUS. Do any of you have any views about the increased demand for timber from the national forests? I've asked this question of earlier witnesses as to their views on whether and how much increased demands there will be in the future in our national forests. Do you tend to agree with them that there will be an increased demand or it's going to level off?

Mr. OLSON. I think it unquestionably will increase and I think we'd have to look beyond the consumption just within our country. Any time technology, whether the technology improves in communication or transportation or whatever, makes our world smaller and I think the day is rapidly coming when we're going to become a nation that's going to strive technologically to improve our forest output and we're going to start exporting a lot of our products. I think unquestionably that's coming. The projected demand for paper products, alone, it's staggering.

Senator BAUCUS. You also, Bob?

Mr. HELDING. Yeah, I agree with that.

Senator BAUCUS. One thing I might add here. I think it was the Forest Service, is contributing to our jobs in our part of country. The backboard of this paper tablet looks like it's plywood, it's so think. I've never seen a backing so thick on any tablet before in my life.

Bob, you mentioned that Canadian wood supplies are a result of mining the forests rather than managing them. Is that due to any change in Canadian management policies? I wonder if you could expand on that a little bit.

Mr. HELDING. I guess I don't think I said that.

Mr. OLSON. That was reported earlier, I believe.

Senator SYMMS. I think I said it. I said something about mining——

Mr. HELDING. They have a different setup up there. They have an area that you're assigned and the operator has, he's the monopoly operator in that area. They don't have, the Canadian Government has a little different philosophy. They want to keep the community going at all costs, whereas we don't have that, we have a bid procedure down here and if we lose money on a sale, that's too bad. We got the problem on the west coast now, a termination problem and Senator Hatfield is involved with that. Canadians have usually a cheaper rate. In some instances, labor. In many cases they've got newer appliances, so I think it adds up to where they're a real competitive force in the market.

Mr. OLSON. There is no competition, Senator, for their stumpage. It would be similar to the U.S. Forest Service. St. Regis, you take these trainings in Libby and Plum Creek, you take these training up the North Fork and Champion, you take these training down to Lolo, and then they're responsible for the logging, reforesting and the whole thing.

Senator BAUCUS. OK.

Senator SYMMS. Which ones are going to produce the most timber in the long run? Is there a long-term right on that timber production granted?

Mr. HELDING. They've got a term.

Senator SYMMS. Long enough that it's worthwhile for them to reinvest in reforestation?

Mr. HELDING. Yes.

Mr. OLSON. That's a requirement of their system.

Senator BAUCUS. Is that Crown Land?

Mr. HELDING. It's called Queen Land.

Mr. OLSON. I'm not so sure that that is the best, I wouldn't necessarily advocate that system over ours. I think S. 1141 is headed toward a much more, much better system. For one thing, because the timber is readily available and there is no petition toward them and they are regimented toward full employment in keeping people working. Sometimes the investment does not go back into the sawmills. Many of their mills are very inefficient and they can afford to run because of the stumpage.

Senator SYMMS. There has been an underlying thread through all of the testimony, including the Forest Service witness, that we could be doing better on the management of those timber-producing lands. You all say that we could be doing much better, if I hear you correctly. I think, Bob, you brought up the fact that we've got millions of acres of land held by RARE II and we can't move legislation to resolve it. There is substantial environmental opposition to it and so we have de facto wilderness areas that create more problems of the nature that you're talking about. The bugs keep eating while we keep studying. Would any of you want to comment on that? I mean, how much better do you think we could do? This isn't a static thing out here is what I'm saying. You've got a piece of ground out here that's in sagebrush and a farmer comes out there, clears it off and starts growing potatoes and makes it productive. How productive is the management of the national forests in this particular part of the country?

Mr. HELDING. Well, If I may, Keith. I think we could do a lot better job. I think the Congress has to recognize, and I don't think it really has in the past, a proper level of funding for the tremendous amount of land that you own. The Federal Government owns 64 percent, virtually 63.4 percent of the total physical area of 13 Western States, and it's got a tremendous acreage to take care of and 95 percent of everything Uncle Sam owns is out here. He doesn't own anything east except maybe a naval base or something like that, so the land problem is unique to the West and yet we don't, you fellows are outnumbered as you know in the Halls of Congress and we've got a tremendous selling job. I just came from Salt Lake where I spoke to State counsel and State governments. I feel very strongly, Steve, that we must get, as soon as possible, an

inventory of what our public lands are producing and what their potential is for each Western State. We don't know that, none of us do, and if I have a particular bill, I have to go research that point before I can make an intelligent statement. You fellows need, in my judgment, that type of information so you can analyze these bills as they come down as to what they do to your respective States and what maybe can be changed in the bill and you can have your cake and eat it, too. Well, we don't have that type of thing. We don't have that type of information on Forest Service lands or BLM land.

Now, some of it has been done in the library. Maxine Johnson has done a little bit. Some studies have to be created to know, but we desperately need—to answer your question specifically, Steve, we need to know what those lands are now producing and what their potential is if we managed them properly, and we don't know that and that's not only true for timber; that's true for grass, that's true for minerals, water. Here this great State in Idaho sits right in the middle of the water problem, as you gentleman, I'm sure, are aware that the Hudson Bay, you've got the Colorado and you've got the Missouri drainages coming here and water comes off the watershed so you run the watershed, you manage it through water, you manage the economy on the watershed, and so I think that if we really want to run our public lands properly, we better find out first what they're producing and then what they're capable of and then we have some yardstick where you fellows can demand some appropriations. I don't think Congress has ever looked at it that way.

Senator BAUCUS. You're right.

Senator SYMMS. It's a very good point. I think all your testimony is excellent, excellent. Of course, I really appreciate your comments about the road system. This always has bothered me, and I'm not the guy that said the Government was going to own all these lands. I don't allow my staff to use the word "public" lands, we use the word "Government" lands because they're not public lands just because the Government owns them. The Federal land managers can keep this guy off or that guy off for whatever reason, whether he's got a motor on his rig or whether he's trying to cut a tree down, he shouldn't be in there for all kinds of reasons. Most of the time the reasons are good, but I just believe that we really ought to be making a clear analysis, as you're pointing out, of what our potential use is. I don't happen to believe there is a conflict between the exploration and development of our timber and the mineral potential and the environment. I'm not truly convinced that balanced management would really result in great conflict between the preservationists and the people that have more of a multiple-use attitude. We can produce so much more off of certain areas that we could realistically release the pressure on the other areas. Then, the managers could say you guys with your backpacks can go in there and walk until your heart's delight and you over here, you're going to cut trees over here and grow trees. But we must recognize that in an orchard when the peach trees get old, you have to plant new ones.

Mr. OLSON. How can we possibly know how much we're going to log every year if we don't realistically know how much we grow every year? Those areas in the study areas cannot be counted in our land base, and I guess to answer the second part of your question, Senator, I respectfully believe that any efforts by anybody in this room today to even try and project what we could actually grow if we intensively managed our economical timber land would be vastly underestimated in a very short period of time. I think we've got an infinite capability out there. It's just how much we want to invest.

Senator SYMMS. They say they do a whale of a job over there in the Black Forest and some of those areas. I haven't been over there to look at them.

Senator BAUCUS. I think you're absolutely right. That's the point of this bill. We just don't put the capital investment in the lands that we need to. This is an opportunity for any of you to say anything that you've heard this morning or earlier today that you disagree with for anybody, including us. Any other witness? Anything that you might want to comment on or reaffirm?

Ms. LIVINGSTON. No, I didn't have anything like that in mind, but I did want to say, again, that I think that we can't realistically manage our timber base or anything until we get these lands out of wilderness study areas and get things settled so we can go on about our business.

Senator BAUCUS. There is no doubt about that.

Mr. OLSON. I heard one thing very early this morning. I was fortunate enough to be able to have breakfast with Senator Symms and another hundred people or so, and he made mention of the fact that American cars are now as good as most anything you can import from another nation, and I believe that, and he also went on to say, but it took the dumping or the importation of cars from other nations to get our automobile industry's attention, so they started producing something to compete before they lost all of the market, and I'd like to equate that to this Canadian saw-log issue. I hope that the bringing in of these Canadian saw logs is going to get somebody's attention so we start our infested areas and start managing our timberland instead of allowing them to sit in the state of limbo simply because a Canadian Government believes in free enterprise when it benefits the Canadian people and they know when it doesn't, and there is a controversy brought up in the northwest portion of the State that's got me very concerned.

Senator BAUCUS. I appreciate that, Keith. This is also a point that we're going to address as part of our Northwestern Economic Task Force. We're putting together a group of Senators representing Northwestern States to try to find ways that we in the Northwest can work together to export more of our products overseas and also repel or counteract some of the unfair practices of Canada and other countries that affect us adversely. So we're going to address this in still another form as well.

Mr. HELDING. I'd like the privilege of sending both of you Senators a statement I made in regard to this potential impact, if I may.

Senator BAUCUS. Oh, you bet.

Mr. HELDING. And then see what we can do.

Senator BAUCUS. Send it to us and it will be made part of the record as well. Thank you very much.

[The prepared statement of Mr. Helding follows:]

ROBERT N. HELDING
EXECUTIVE DIRECTOR
MONTANA WOOD PRODUCTS ASSOCIATION

Mr. Chairman and Senators Max Baucus and Steve Symms and Committee Staff, the Montana Wood Products Association welcomes this opportunity to comment on the proposed National Forest Investment Fund Act, S. 1141. My name is Robert N. Helding and I am an attorney and the Executive Director of the Montana Wood Products Association based here in Missoula. Our members constitute part of the Montana forest industry which is presently composed of approximately 100 sawmills and stud mills; some 5 plywood plants; 1 particle board and 1 specialty fiberboard plant; 1 pulp mill; several wood pressure treating plants; and numerous small operations manufacturing house logs, fence, posts and railings, railroad ties, farm and barn poles. In addition, the industry is composed of hundreds of small logging operators, many of whom are one-man log truck haulers. All in all, this giant industry, which is the third largest in the state of Montana, produces wholesale products of all kinds that approximates one billion dollars in value yearly.

In a normal year, Montana will employ between 8,200 and 10,200 workmen directly in the wood products industry earning in excess of some $200,000,000 a year.

We are all acquainted with the current slump in housing nationwide and as a result the Montana operators, as well as those in neighboring states, are in a very depressed state. We hope, therefore, that the bills like this will have a stimulating affect on the future economy of the nation and that we once again can get back to producing our various products for the use of the nation's people.

Montana has some 23,000,000 acres of forests--one fourth of the total area of the state. Nearly 70% of Montana's forest land is classified as "commercial forest land". That is, land capable for commercial timber production and ordinarily available for that purpose.

Approximately three-fourths of the commercial forest land is in public ownership, with the United States Forest Service owning 61% (9.8 million acres). The forest products industry owns slightly more than 6% of the commercial forest land (1.1 million acres). Approximately 25,500 ranch and farm owners own most of the remaining but it is in an average of 100 acre plots or less.

In a normal year the timber harvest in Montana fluctuates between 1.1 and 1.2 billion board feet annually. Ordinarily timber from the national forests counts for approximately 50% of the production. However, since the period of 1976, the percentage of saw timber harvested from national forests has steadily declined. and now, such timber from industry and private lands exceeds that cut from the national forest lands.

One of our main problems in Montana is the continual withdrawal of valuable commercial forest lands from the national forest timber base. If this continues, then we are going to witness a continued shortage of raw materials in the state of Montana as elsewhere. Industrial lands now are operating at near potential and the private lands, not being under timber management for the most part, will not contribute too much to the long pull. We then must continue to seek improvement of forestry of all kinds on our nearby national forests.

Quoting the United States Forest Service Resource Bulletin, INT-7, 1967, entitled "Timber Resources and Industries in the Rocky Mountain States":

> "The mountain states as a whole contain the highest percentage of (their) total timber inventory in public ownership--83%. Conversely, the mountain states rank lowest in the percentage of forest inventory under private management. Consequently, future development of timber resources are largely dependent on management by public agencies."

The proposal that we are discussing here namely the National Forest Investment Fund Act, S. 1141, will lend itself, we believe, to the improvement of these national forest lands within our state's jurisdiction. Certainly the need for capital improvements is ever present and we believe that this bill will go a long ways towards improving the timber volumes for future years as well as improving access to such lands.

The reforestation of public lands is an ongoing program which needs additional capital to improve its performance. There are many hundreds of thousands of acres of lands under public ownership in the west that need to have the stimulus of an active reforestation program instituted upon them. Certainly, we have our share of such lands within the state of Montana.

In summary, the Montana Wood Products Association supports the enactment into law of S. 1141, and we believe that it will be one of the vehicles needed to ensure adequate future timber supply for generations yet to come as well as improving the access to such lands by members of the public who wish to enjoy the recreational benefits on such lands as well as to engage in the common pursuits of hunting and fishing, to name just a few.

Senator BAUCUS. Next we will have a panel of a Ben Stout who is the dean of the Forestry School here in Montana and David Jackson, who apparently is here as a private citizen, but also is affiliated with the University of Montana. Ben, we'll let you go first.

STATEMENT OF BENJAMIN STOUT, DEAN, SCHOOL OF FORESTRY, UNIVERSITY OF MONTANA, MISSOULA, MONT.

Mr. STOUT. Thank you, Senator Baucus, it's a pleasure to be here. Welcome to Montana. My name is Benjamin Stout, I serve officially as the dean of School of Forestry at the University of Montana. I speak as a professional forester and as an individual. We have a good deal of difference of opinion within the School of Forestry which may come out here this afternoon, but I want, I support heartily the Senate bill 1141. I would urge that you build into that bill some guidelines.

Senator Symms has spoken about roads, roads can lay lightly on the land. I have been taken to operational areas in Montana where the checkerboard landownership pattern exists. There I have been able to identify ownership basically on the basis of the way the roads were laid on the land, and industry has learned how to do it. I'm sure the Forest Service can if they are given those guidelines.

You mentioned thinning in your bill. I would urge you to put some guidelines in there. Not every stand should be thinned. We've got dog hair, lodgepole pine on very poor sites in Montana that should stay dog hair, lodgepole pine until succession moves them out, not economically feasible to thinning them, and we can identify those for you. We have heard today testimony which says that we assume, we foresters assume equal productivity that the site is innately given a particular product. I urge you to include in this bill a small part of the money for basic research. If we in America had to depend on the innate productivity of agricultural land, the 230 million Americans would be starving along with a lot of people around the world. We need to be able to manipulate stands so that we maximize productivity. You asked the previous witnesses what's the potential? A realistic estimate that I have heard is that we can increase the productivity of our best sites by as much as 800 percent.

Senator BAUCUS. Best sites in the entire system?

Mr. STOUT. Yes.

Senator BAUCUS. What about the region?

Mr. STOUT. Here in Montana?

Senator BAUCUS. Northern region.

Mr. STOUT. Yeah, which means that we can produce 1.2, 1.3 billion board feet on relatively few acres or to say it another way, I think it's possible that we can increase the size of the forest industry in Montana substantially, provide jobs for a lot more Montanans on considerably less land. To do that——

Senator SYMMS. You're saying this is not an innate amount of production. I think you can change it.

Mr. STOUT. I think we can change it. For example, all sorts of problems of dealing with sewage waste. I visualize the day when the logging trucks that come down out of the woods with the logs will turn around and haul effluent back up on the hill on the

mountains as fertilizer. There are all sorts of things that we can do genetically to manipulate the vegetation to make it produce the kinds of things we want. I refer to the marvelous book by Freeman Dyson and the things that he envisions that can happen with the manipulation of DNA. I think we haven't begun to think of the kinds of things that could happen, and that's what I envision is this money set aside for a very fundamental research in forest biology, biochemistry, biophysics.

Now, the State of Montana has begun, it seems to me, a very real significant effort in, if I may use the phrase, New Federalism. We are cranking up a very real significant measure on an orientated research program in Montana that's being funded by the State. I think it would be a magnificent thing if the Senate and the House could look to the future and do this very basic research. Now, if we do increase the productivity of the sites, and I think it can be done with some basic research and the ongoing research, in other words, this is going to be a partnership operation, that we can do magnificant kinds of things in the production of better water, more recreational areas to serve all kinds of people, maintain genetic pools. I think we haven't begun to think of what can happen.

Finally, I realize that you gentlemen have to deal with your colleagues in the East. I come from the East. Were it not for the forests of the Rocky Mountains, which are predominately coniferous, which are probably, if some of our recent research is correct, evolving oxygen all winter long, they'd be in an awful state in the Eastern United States without some oxygen coming from our Rocky Mountain forests, so it's important that they're highly productive. Thank you.

[The prepared statement of Mr. Stout follows:]

PRESENTATION TO SENATE FINANCE COMMITTEE

September 1, 1982

Missoula, Montana

Mr. Baucus, I am Benjamin B. Stout, Dean, School of Forestry, University of Montana. I welcome the opportunity to participate in this hearing and comment on the National Forest Investment Fund Act, S1141, that you have introduced in the Senate.

Energy costs have become a serious threat to our economy and our society. Much is made of developing collection systems for solar energy. We have such systems now--our forests. Therefore, I support the idea of investing some of the money generated by the forest back into the forest. In fact, I would suggest that Congress specifically outline the scope and intent of those investments.

In his book, "Disturbing the Universe", physicist Freeman Dyson, suggests that the genetics of trees could be altered to provide man with benefits hitherto unimagined. He envisions genetically engineered forests with root systems that form underground pipeline systems. Instead of cellulose, the pipeline systems would carry the hydrocarbons the trees would be designed to produce. Compounds could be collected at the bottom of each hydrocarbon-shed and distributed as needed for fuels and other industrial uses. If you have ever visited a maple sugar operation, you have seen a partial, very rudimentary example of the system Dyson envisions.

We have in our forests in this country a tree whose scientific name is Fraxinus quadrangulata. As the name implies it has quandrangular aspects; its stem and branches when small are square. For many years I have suggested to students that one day we will manipulate the DNA in our trees so that the

trees will topple over at some pre-selected size as leaves now fall. When the trunk is dried it can be separated into lumber of desired dimensions. To maintain genetic diversity, future foresters may manage forests that produce a mixture of 2 x 4's, 2 x 6's, 2 x 8's and other dimensions and lengths.

I recommend that a modest portion of the money going into the fund each year, say 10 percent, be ear-marked to support the most basic kind of research in forest biology, biophysics and biochemistry. I firmly believe that such an act would, in the long run, give us the forests that Dyson and I envision.

In its present form the bill specifies the capital improvements to be made. I urge that you include guidelines for prudent use of the funds. For example, I do not believe that all young stands of trees should be thinned. With existing knowledge, we can select those stands that yield the highest rate of return, produce the most biomass per acre per year, or most influence water yield or forage yield. To use a Montana phrase, Congress should put sideboards on the use of the funds. Roads are another example of where management guidelines are needed. A functional, serviceable road can lay lightly on the land. I would hope that the money from this fund would encourage road construction that would minimize the amount of land taken out of production. Build into your bill the management objectives the Congress desires for these funds.

For centuries, the forests and associated rangelands of this continent have served man well. Your bill will help to assure that the same ground will continue to serve even better generations of Americans to come. I hope your colleagues in both houses of the Congress share your vision. Thank you.

Senator BAUCUS. Thank you, Ben. David.

STATEMENT OF DAVID JACKSON, ASSOCIATE PROFESSOR, SCHOOL OF FORESTRY, UNIVERSITY OF MONTANA, MISSOULA, MONT.

Mr. JACKSON. Senator Baucus, Senator Symms, I'm pleased to have the opportunity to speak. Your bill is very challenging and I think has a lot of good points. I will present what I consider to be three kinds of concerns or public issues or controversies that I think that bill brings to mind and then perhaps present some suggestions on how these might be resolved.

The first public issue is that west coast timber sale receipts that will be used to road virtually every potential acre of national forest land in Montana and Northern Rockies and I've heard that said today.

The second issue is that the fund would create bureaucratic management incentives which are inconsistent with the current overall philosophy of national forest management.

The third issue, as I see it, is that there is an allusion potentially that the bill will solve the budgetary means of the Forest Service and I want to speak to each of these in order and then at the end I have a couple of minor points, too.

The overroading issue. Historically there have been two major means in the national forest. Appropriated funds and purchaser credits where road construction is a contractual obligation of the timber purchaser. The purchaser credit system is by far the most important. In 1980, some 77 percent of the mileage of road construction in the national forest system and of the 34 percent of the bridges were financed by purchaser credits. The effect of this means of financing has been to limit road construction, on national forest lands, to create a de facto wilderness system, which has subsequently been the land base for congressional wilderness designation and to reduce probably the water pollution in forest streams and rivers that would likely commensurate with more roads in place.

In my opinion, the current means of financing road construction has worked, for the most part, in the public interest. Some appropriated road construction money has been used for making road investments where there have been bottlenecks, but this does not mean necessarily that the current system will continue to work well in the future. As the intensively managed forest lands are converted from old to young regenerated timber, the investment outlays for second growth management can be expected to increase in many areas. We have not, in the past, invested heavily in planting, thinning and so forth in our growth timber. As our lands are converted, those kinds of budgetary overlays are going to have to increase in order to maintain growth and yield. Thus developing a fund that will insure a more adequate base for investment could be a very prudent thing to do, provided we find a reasonable way of assuring ourselves that low return investments which cannot be reasonably expected to provide sufficient benefits for future generations will not be made. This is particularly true in the area of forest transportation system investments and I think there is a

subset of the kinds of timber sales which are sometimes called deficit sales. Some of those are irrational and shouldn't be made, not all of them.

The second public issue is the implied bureaucratic incentives and the current national forest management mission, and I want to kind of cover three points on it. A brief review of the major sources of revenue, which would be placed in the proposed national trust fund is warranted. In region 1 during fiscal year 1981, about 32 percent of the deposits to the proposed fund would come from timber sales. During the same year, about 63 percent of the receipts would have come from mineral, oil and gas royalties primarily in the Williston Base and North Dakota and the natural grasslands. During fiscal year 1980, nationally 95 percent of the revenues that would be eligible for the fund were derived from timber sales and mineral receipts. In summary then, my first point is that the revenue is derived primarily from the sale of timber, market resources.

Now, let me show you a graph, and I think if I can find a switch, somebody else might be interested in this thing, too. What this graph shows is the average stumpage price of timber sold on managed lands in Idaho. The dotted lines at the bottom of the graph or the straight one are the average prices of forest timber. You'll notice in 1968 all the various land-ownerships sold for pretty much the same amount. Since then, you can see that the other landownership, the prices of the average selling prices have increased relative to the average selling price of national forest timber. My point is, I think, that the main key to the difference in price volume have been really related to the changing mission in the national forest. NEPA, of course, was passed in 1969, the RPA in 1974, the National Forest Management Act in 1976, and these have strongly specified a direction for national forest management that has been more strongly multiple use in nonfiber orientated than has been the case in the past. The basic thing that has resulted is that the national forests have improved the quality of roads constructed, improved the quality of logging operations and the results of this has been more expensive logging and it has reduced the price of national forest timber relative to the price of other ownerships. So, my second point is, if the Forest Service wanted to increase the payments to the fund, they could do so by deemphasizing multiple use management. By doing that, they could increase the price and make major contributions to the fund above what they currently would be doing, so the second point I want to summarize is the national forest can substantially alter the income placed in the fund by the relative degree of emphasis placed on. Thus they could enlarge the fund if it were a limiting factor.

The third point in this subject is a little bit difficult to argue in great detail, so let me just outline the view. The current national forest mission is one which economists like Krutilla and Haigh refer to as social efficiency and in principle, the costs and benefits of things that could not sell in the marketplace are balanced with those that do in arriving at day-to-day management decisions. Congress, I think, has clarified this in the National Forest Management Act and I think the intent of Congress is gradually seeping in the day-to-day management decisions of the Forest Service, so in

summary, the current philosophy of the national forest management is that nonmarket costs and benefits must be equally considered with cost and benefits and that the agency must willingly ignore in some cases, market signals in the day-to-day management, and I think that's reflected in the pricing structure that you've seen before.

So, before us is a proposed legislation. I would hope that before it's passed, that Congress consider these points. Current philosophy of national forest management in social efficiency wherein market benefits are often willingly foregone in order to achieve social efficiency. This legislation potentially suggests an advantage to the agency of stressing the management of timber and minerals in this region in preference to nonmarket resource uses. First of all, I see a very strong professional ethic regarding conservation among land managers in the national forests. Second there is a complex web of legislation surrounding the Forest Service and this isn't the only thing that would change, and so I think those things together would interact in certain ways with the passage of this legislation, but I think in certain instances where there is a question of what to emphasize, be it market or nonmarket resources, I think the effect of this legislation would be to tilt slightly toward the market oriented resources.

The third public issue is the apparent allusion that the legislation would solve national forest funding problems. In fiscal year 1982, U.S. Forest Service region 1 operated at a $105 million deficit, and I mean that by strictly dollars, market dollars, not by any means looking at the value of wildlife and so on. If the payments of receipts to counties for roads and schools were included as expenditures, the deficit would be closer to $133 million. Nationally the Forest Service operated about $1 billion deficit and that should be in fiscal year 1980 before expenditures to counties. At this time, it's impossible to know what portion of current expenditures qualify as capital improvements. Since the passage of the 1976 act, the Forest Service has initiated changes in the accounting system. Prior to 1976 the system was characterized as appropriations accounting and now the system that is evolving is both accountable for appropriations as well as a cost accounting system. At this time, it is uncertain how the administration will define, as I quote, activities as a capital nature, unquote, as called for in two sections.

In order to make the point covering expenditures, region 1 figures are again referenced. While total receipts were $110 million, only about $34 million would be deposited in the fund. This is because of payments for roads and schools, the kV funds and the timber sale and deposits and that type of thing, they're already hierarched. So out of that $110 marked receipts, only $34 million would be deposited in this fund. Again, in the same year, total expenditures in region 1 were $214 million. One accountant, whom I interviewed in the region, suggested that perhaps half of the expenditures were of a capital nature. Thus, the capital outlays in Montana and northern Idaho could be as much as $70 million. Well, their funds elsewhere are sufficiently large to carry this area's revenue deficits and whether other areas such as Washington, Oregon, would like their surplus invested in Montana, Idaho,

Alaska and so on, I just don't know. I want to talk briefly then about means of resolving these dilemas.

Problems that could potentially arise may be eliminated if the following words were inserted in the bill. "It is the policy of the Congress that the Secretary of Treasury should only dispense funds for capital expenditures from the funds for the expected rate of return including all benefits and costs exceeds or is equal to the long-term real expected rate of return of the fund after appropriate revisions for risk and overhead." This should resolve many of the questions of overroading and potentially deemphasizing multiple use. Also the language recognizes that only a portion of the national activity will be eligible for investment and therefore, may be construed as being more realistic.

Two brief points. I'm concerned with the idea of a 4-year time lag before the money is turned over to the general fund. Let me strike an example. In fiscal year 1980, the receipts from oil and gas in region 1 were $5 million. In fiscal year 1981 they were $40 million. They increased 800 percent. The same period of time, timber receipts went from $26 million to about 20 mill, so they dropped something like 20 percent. The revenues are highly volatile. They work with business cycles and so forth and I'm afraid that if it were only a 4-year period, the pressure would be there to spend the money before it was lost in Congress, and I think a 10-year period would allow an average expenditure from the fund within business cycles, so I believe the word for this is vesting and I think it would be a better time period.

Second, the minor point, I think there is a potential for a conflict with other legislation. There was an act of March 4, 1913 which, in effect, is still in the book, which allows 10 percent of foreign timber sale receipts to be reinvested for rebuilding roads. Apparently that is ignored completely.

In summary, the thrust of S. 1141 is to provide a consistent financial base of capital investments that will surround the debate on this. Many of the concerns can be arrested if the intent of Congress is clarified regarding investment efficiency and the relationship between the size of the proposed investment fund current levels. In my opinion, these modifications will strengthen your bill and aid in the achievements for sound national forest management.

Senator BAUCUS. Thank you both, very much. You both presented very sound testimony. Dave, I don't know if I understand. Are you saying on page 6 of your testimony that when all is said and done, that the number of dollars available from the fund for capital investment is really lower than what is today spent or——

Mr. JACKSON. What I guess is, and I don't have all the national figures, is the amounts that would be eligible for deposit in the fund are less than the current level of capital expenditures carried out by the national forest.

Senator BAUCUS. Even though we've got roughly $1.1 billion of receipts off the national forest of last year? Is that right?

Mr. JACKSON. Something like that.

Senator BAUCUS. That the total investments, capital investments are more than that?

Mr. JACKSON. Yeah, if you look, I don't have last year's figures. The most recent I could find here in Missoula was fiscal year 1980 and as I recall, included in the annual report of the Forest Service were, for example, even receipts from selling minerals that were really interior department receipts of about $200 million, so those don't count. Then there were timber sale receipts and 25 percent of those automatically get separated out for road and schools, so those aren't eligible for the fund, the kV funds are earmarked.

Senator BAUCUS. Roughly 25 percent anyway, and the kV is how much, roughly, what percent?

Mr. JACKSON. I don't have the percentage terms; I can look it up.

Senator BAUCUS. Can you give me a rough guess?

Mr. JACKSON. I can pull it out. Fiscal year 1980—well, these are different titles. I'm going to say that timber sale betterment of the national forest are about $116.5 million and I think that's kV funds.

Senator BAUCUS. kV might be $116 million.

Mr. JACKSON. That doesn't go into the fund.

Senator BAUCUS. So that's roughly 10, 11 percent.

Mr. JACKSON. Brush disposal, $100 million, so looking at the total fiscal year 1980, I see, for example, about $700 million. It's eligible before the 25 percent, so three-quarters of that would be going into the fund nationally and in that year, expenditures were in the neighborhood of $2 billion.

Senator BAUCUS. Wait a minute. As I understand it, the receipts are $1.1 billion. Subtract out 25 percent then subtract out another 12 percent, subtract out another 0.4 percent, that's 25 and 12 is 37, say 38. That to me leaves about 62 percent left for capital investment.

Mr. JACKSON. I have it right here for fiscal year 1980. I have total receipts of $1.28 billion. Subtracting from that purchaser road credits of $164 million.

Senator BAUCUS. That's 16 percent, say.

Mr. JACKSON. Subtract from that 219 million of mineral receipts that were estimated collections by Department of the Interior for mineral leases on public domain national forest land. Those are not national forest receipts, those are BLM, USC interior receipts, so knock that off. Now, you didn't mention in there other receipts such as selling the royalties of Smokey the Bear and Woodsey the Owl, those are minor, but those have got to come out, I think. Then, as I understand it, the kV, which I think according to this is $116.5 million, has got to come out, the timber salvage sale, I think are special earmarked funds and those are deposits that have got to come out, those are about $14½ million, brush disposal of $42 million. I think there is small amounts of cooperative and reforestation work, I think those have got to come out, about $3½ million and that leaves $702 million before the sharing receipts, which would be counties and roads and schools, so three-quarters.

Senator BAUCUS. Twenty-five percent of that.

Mr. JACKSON. So three-quarters of $702 million leaves us $500 million or something like that nationally going into the thing and the budget is about $2 billion.

Senator BAUCUS. Well, but $2 billion includes operating expenses, too.

Mr. JACKSON. That's correct, yeah, until we know how to define capital expenditures, we don't really know whether there is enough coming in to cover the capital expenditures. If the accountant I talked to says half of it is capital expenditures, it's clearly not. If that's high and significantly high, it might——

Senator BAUCUS. So what you're saying, we're going to have a general fund appropriation in addition to these receipts to sufficiently generate funds for capital.

Mr. JACKSON. Or else we're going to have a very rapidly expanding revenue.

Senator BAUCUS. So what you're also saying is we can tell these easterners they've got nothing to worry about.

Mr. JACKSON. I don't know what the easterners are saying.

Senator BAUCUS. At the bottom of page 6 you suggest language that funds for capital expenditures will be expended only where it exceeds the rate of return of what?

Mr. JACKSON. The security that you suggest in your bill that the unused funds would be invested in.

Senator BAUCUS. So you're saying the capital funds can be invested where the rate of return exceeds 12, 13, 14, 15 percent?

Mr. JACKSON. I said the real rate of return, so I'd knock off inflation, some rate of inflation off of that and it might be 3 percent. I'd have to look at that.

Senator BAUCUS. I understand the principle of strict cost-benefit analysis, but the problem I have is that the real rates of interest fluctuate significantly.

Mr. JACKSON. Yeah, but the long-term wide return on capital in the century average 2 to 4 percent, at least that, maybe a little bit lower in recent years, but that's been the drift, and the Forest Service right now has three different directives on what kind of discount rates to use with investment. One, I can't tell you exactly the sources, but one is a 10 percent real rate, one's a, I don't know, some other 6⅞ percent from another source which apparently is a nominal rate and then the third, which we're trying to use is a 4 percent real rate and I think they're fraught with confusion about what direction to take and I think they're getting different senses of direction from OMB with different administrations and from the Congress at different times, so I think it would be nice to let them know what kind of rate of return you expect them to earn and in this case, it seems kind of fair because after all, the bonds would be transacted with essentially taxpayers and the argument here is that if you can't earn more than what you're going to borrow money or lend money from taxpayers for the national forest investments, you hadn't better do it, so I think it's basically an equity question with the public.

Senator BAUCUS. I suppose you heard Howie McDowell's points that we should utilize other factors in addition to cost benefit.

Mr. JACKSON. Yeah.

Senator BAUCUS. Factors. I've forgotten the phrase he used.

Mr. JACKSON. I got in the middle of Howie's talk, so I don't want to put words in his mouth when he's not here, but I think the thorough benefit cost analysis ought to look at the unexpected unemployment rates, for example, of differentials of Forest Service activ-

ity and that hasn't been normally done around here. So, I think that there is no reason why those things——

Senator BAUCUS. So it depends on how you define cost and benefits; is what you're saying.

Mr. JACKSON. Oh, yeah.

Senator BAUCUS. And you'd expand those definitions more than they customarily——

Mr. JACKSON. I think we should be taking a look at the nonmarket benefits and costs. The indication that I see in this region is the measures of efficiency, that they're more efficient investments than the timber and minerals in the national forest, and I've seen some of that work done for RPA in this region, and as I say, if we're not careful, we forget that and stress our market benefits because this will be the income to our fund.

Senator BAUCUS. What's your reaction to the Forest Service estimates on reforestation timber stand backlog? I guess Mr. Everett had a strong feel for reforestation.

Mr. JACKSON. I think it depends on how one defines reforestation. As I recall, the language of the 1976 act, the Congress told the Forest Service that lands, people had to be assured that lands could be adequately restocked within 5 years after cutting and the way that's being defined right now is if it's a partial cut, it's 5 years after the cover is taken off, so if you define things that way and you leave 10 trees to the acre, you don't have the reforestation problem until 30 years later when you take the seed trees off, so I think partly that's definitional. I don't know, I don't want to, I can't argue against or with those figures, but I think it defines how people define reforestation laws.

Senator BAUCUS. Does it seem high to you, low to you?

Mr. JACKSON. I'm not surprised at 170,000 acres. I wouldn't be surprised if it was a little bit higher.

Senator BAUCUS. What about Ben's point that some of the national forest land in Montana could, if properly utilized in intensive effort, enjoy improved productivity of 800 percent?

Mr. JACKSON. I don't know about that number, but I know the increase could be sizable in many cases, but I don't know. I've heard one of my colleagues that's been doing some work on a typical selection of seed trees, genetic selection of quality of providing a seed crop, suggesting in the juvenile height growth of a sibling, if you pick four men and so on, you can increase the height growth in the early years by 50 percent and that's pretty sizable. In fact, that's a fairly inexpensive investment because you don't have to have a big nursery with all these acid collection programs going all the time. I think there's a lot of room for increased productivity. In some cases small is better than large, so I think there is all kinds of room for that, but I don't know until I, as an economist, I often feel like a parasite on someboby else's data. I don't go out and generate those numbers and I usually use someone else's in order to do the economic analysis.

Senator BAUCUS. Could both of you supply a bibliography, for the record, a biblography of studies on increasing productivity in national forests or send also for the record, you know, some of the better studies that you're aware of that indicate what can be done to increase the productivity on the forest?

Mr. STOUT. Lest there be some mistake in what I mean by that 800 percent, that is with the most imaginative research, the best management, and this is some point in the future, not today. If you were to say to me, hey Ben, go do it today, I'd say thanks, but no thanks.

Senator BAUCUS. I'm interested in both the short term and the long term.

Mr. STOUT. That's why I'm urging some money for basic research. You know the legislators and the State of Montana, and if I start talking to them about money for DNA research, they look askance, but it seems to me that this is a place for moneys like that to be developed.

Senator BAUCUS. Do either of you have any suggestions as to the Forest Service on how they define capital expenditures? That sometimes is a sticky matter. I'm curious on your thinking whether you have any ideas, any suggestions.

Mr. JACKSON. I, in fact, reflecting on this, I remember reading 2 years ago or so an article or two in a science magazine on the rate of return on investment and agricultural research and the investment returns were in the neighborhood of 125 percent, so the research is obviously construed in some cases an investment and is often considered a very productive investment. In forestry, we have not done that kind of investment analysis on our own research programs, and part of the reason is that the long life of timber crops, it's pretty difficult to find the returns if you've got a new way of growing trees or something like that, if you have to wait for the trees, 125 years or something, to find out your investment pays off, but research is very often considered an investment outlay.

Another one in this region, which the Forest Service has an outstanding training program is called "Receive a Certification of Forest Economy and Certificate Culture," which is really an investment in manpower. In my opinion, it's paid off handsomely in the woods, but I don't think as your bill construes it, would be kind of open as an investment. Now, economists like to think of that as an investment in human capital, which it really is, so it's difficult to begin with, to define that, but I think in a strange way, it comes back to the Congress, too, in what the Congress intended when it used the word activities of a capital nature. I don't know what you intended exactly either. I think I got the gist of it, but I think that's still got to be done.

Senator BAUCUS. If we adopted your suggested language, I referred to earlier on the bottom of page 6, how do you think that the Forest Service and capital budget would compare under that language with RPA projections?

Mr. JACKSON. I don't know whether I can answer that. I couldn't answer that. I didn't look at anything like that. I could maybe find out.

Senator BAUCUS. Could you, for the record, look at that please, and give us your best estimate?

Mr. SYMMS. Very good, counselor, you've asked all the questions that need to be asked.

Senator BAUCUS. I really don't have any more questions. I do have one I wanted to ask Ben. You suggested that there be guide-

lines, I guess, for timber stand improvement, road construction. That is, we shouldn't improve every stand.

Mr. STOUT. That's right.

Senator BAUCUS. And I guess you have the same comment to road construction. Isn't that to some degree not sufficiently handled in the National Forest Management Act, these kinds of questions already, or should that act be deficient in that regard?

Mr. STOUT. My sense of what I see going on in the land is that there is still confusion and that's why, to use a Montana phrase, put sideboards on it, and I think I hear Dave saying the same thing is some way. Put some sideboards on it. What I see my colleagues in the Forest Service desperately trying to do is to find out what it means to manage for multiple uses, maximum benefit, and it's not clear who their clientele is. I have argued, for example, that one forest management plan should be based on a completely random sample of all of the people in the United States, making known what their concerns are. Now, you can weigh these any way you want to, but it would, I'm sure, result in a very different kind of a management plan than we presently get with the present public involvement process.

Senator BAUCUS. OK, sir. Thank you both, very, very much. This has been very, very interesting. Thank you, appreciate it. Our final witness will be Ken Knudson of the Montana Wildlife Federation. Ken? Ken's not here?

All right, that concludes the hearing. I'd like to thank Senator Symms for participating in the hearing, as well as to Bill Fay of his staff. Bill has ably assisted us as well as Steve Rovig in my office and a most special thanks to Mary Huus, our court reporter who has put up with all of us that get so excited and interrupt each other too often.

Mr. SYMMS. I thank you for having me over here, Max, and I thank you for introducing the bill. I think it's a good thing to get the bill started and moving. We probably won't get it passed this year, but give us a couple of years. There is no telling what we'll do.

[The prepared statement of Mr. Jackson follows:]

TESTIMONY TO

UNITED STATES SENATE

COMMITTEE ON ENVIORNMENT AND PUBLIC WORKS

by

DAVID H. JACKSON

Associate Professor*
School of Forestry
University of Montana

on

September 1, 1982

Missoula, Montana

* The views expressed are those of the author and do not represent any official views of the School of Forestry nor the University of Montana.

A Bill (S 1141) to establish the National Forest Investment Fund has been introduced by the distinguished Senator from Montana, our friend, Max Baucus. I am indeed pleased to have the opportunity to comment on the bill and suggest some areas of clarification which should aid in the accomplishment of the Bill's intended purpose -- improved National Forest management.

There are three major concerns which can be expected to arise in the public debate over the Bill. They are presented first in summary form and then discussed in greater detail.

Public Issue #1: West Coast surplus timber sale receipts would be used to road virtually every potentially available acre of National Forest land in Montana and the Northern Rockies.

Public Issue # 2: The Fund will create bureaucratic management incentives which are inconsistent with the overall philosophy of National Forest management.

Public Issue # 3: There is an illusion that the Bill will solve the budgetary needs of the Forest Service.

Public Issue # 1 - Overroading. Historically, there have been two major means of financing road and bridge construction: appropriated funds and purchaser credits where road construction is a contractual obligation of the timber purchaser. The purchaser credit system is by far the most important. In 1980, some 77% of the roads and 34% of the bridges were financed by purchaser credits. The effect of this means of financing has been to limit road construction on National Forest lands; to create a de facto wilderness system which has subsequently been the land base for Congressional wilderness designation; and to reduce the water pollution in forest streams and rivers that would likely be commensurate with more roads in place.

In my opinion, the current means of financing road construction has worked, for the most part, in the public interest. Some appropriated road construction money has been used for making road investments in bottleneck areas. This does not mean that the current system will continue to work well in the future. As the intensively managed forest lands are converted from old growth to young, regenerated timber, the investment outlays for second growth management can be expected to increase in many areas. We have not invested in planting, thinning, and so forth in our old growth stands. As our lands are increasingly characterized by young timber stands, we can expect these budgetary needs to increase. Thus, developing a fund that will insure a more adequate base for investment could be a very prudent thing to do, provided that we find a reasonable means of assuring ourselves that low return investments which cannot be reasonably expected to provide sufficient benefits for future generations will not be made. This is particularly true in the area of forest transportation system investments.

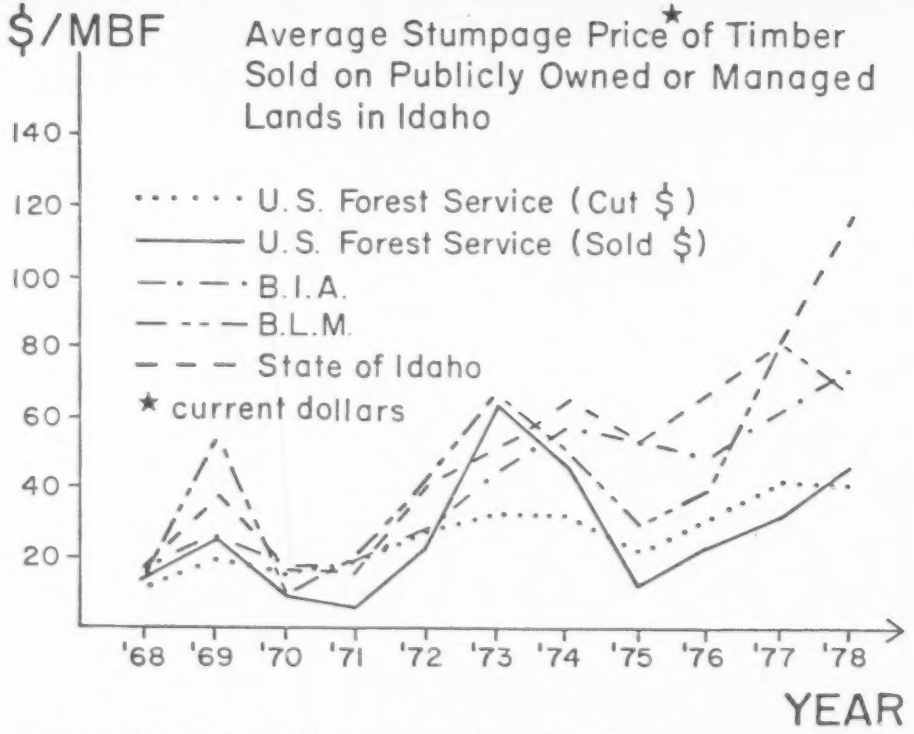
Public Issue # 2 - The Implied Bureaucratic Incentives and the Current National Forest Management Mission. A brief review of the major sources of revenue which would be placed in the National Trust Investment Fund is warranted. In Region 1 during fiscal Year 1981, about 32% of the deposits to the proposed Fund would have come from timber sales. During the same year, about 63% of the receipts that would be eligible for this Fund came from mineral (oil and gas) royalties, particularly from the Williston Basin. Nationally, the figures are similar. During 1980, 95% of the revenues that would be eligible for the Fund were derived from timber sales and mineral receipts. In summary then, my first point is that the revenue is derived

primarily from the sale of timber and in this Region, oil and gas.

Now let me use a graph to make my second point. The National Forests could increase their income by de-emphasizing multiple-use. The graph shows the average selling price of timber on the National Forests in Idaho along with the selling price of timber on other lands. You should notice that BIA timber, BLM timber, and timber from Idaho State Lands have all increased in value relative to that of the National Forests. I believe this has happened due to greater multiple-use or non-market resource management of the National Forests. Roads are built to higher quality standards, logging systems employed are more expensive, and the timber management and silvicultural techniques used all add up to more costly logging. Additionally, there are many contract clauses in National Forest sales which loggers and industry refer to as "nuisance clauses". All of these factors serve to reduce the price of timber and timber sale receipts as a means of producing a better quality forest environment, as specified by law.

Allow a summary of my second point. The National Forests can substantilly alter the income placed in the Fund by the relative degree of emphasis placed on multiple-use in the management and sale of timber. Thus, they could enlarge the Fund if it were a limiting factor in future levels of capital expenditures.

My third point is difficult to argue in great detail. Allow me to outline my view. The current National Forest mission is one which economists like to refer to as "social efficiency" (John V. Krutilla and John A. Haigh, "An Integrated Approach to National Forest Management", ENVIRONMENTAL LAW 8:373-415). In principle, the costs and benefits of things that do not sell in the marketplace are balanced with those that do in arriving at day to day management decisions. The Congress seemingly clarified its



Source: U.S.D.A. Forest Service, Production, Prices, Employment, and Trade in Northwest Forest Industries (Quarterly), Portland

position on this view with the passage of the National Forest Management Act and the intent of Congress is slowly seeping into the line management of the organization. In summary, the current philosophy of National Forest management is that non-market costs and benefits must be equally considered with the market costs and benefits.

Before passage of the proposed legislation before us today, I would hope that the Congress consider these points. The current philosophy of National Forest management is social efficiency wherein market benefits are often willingly forgone in order to achieve social efficiency. This legislation potentially suggests an advantage to the agency of stressing the management of timber and minerals (on acquired lands) in preference to non-market resources uses. There is a professional ethic regarding conservation among land managers of the National Forests. If this legislation were passed, I would expect this conservation ethic to frequently confront the apparent bureaucratic advantages of emphasizing market goods and services. It is important, therefore, to recognize the interaction of professional norms and bureaucratic incentives in achieving the intended goals of this legislation.

Public Issue # 3 - The Apparent Illusion that the Legislation would solve National Forest Funding Problems. In Fiscal Year 1981, U.S. Forest Service Region 1 operated at a $105 million deficit. If the payments of receipts to counties for roads and schools were included as expenditures, the deficit would be closer to $133 million. Nationally, the Forest Service operated at about a $1 billion deficit in 1981 before expenditures to counties for roads and schools were subtracted from receipts. At this time, it is impossible to know what portion of current expenditures would

qualify as capital improvements. Since the passage of the 1976 Act of Congress (NFMA), the Forest Service has initiated changes in its accounting system. Prior to 1976, the system was characterized as appropriations accounting and now the system that is evolving is both accountable for appropriations as well as a cost accounting system. At this time, it is uncertain how the administration will define "activities of a capital nature" as called for in Section 4 of the Forest and Rangelands Renewable Resources Planning Act of 1974 (16 U.S.C. 1600-1614).

In order to make the point regarding the potential inadequacy of receipts to cover capital expenditures, the U.S.F.S. Region 1 figures are referenced. Again, while total receipts were $110 million, only about $34 million would be deposited in the Fund. The rest are already earmarked by special legislation. Total expenditures in the same year were $215 million. One accountant interviewed suggested that perhaps half of the expenditures were of a capital nature. Thus, the capital outlays in Montana and Northern Idaho could exceed contributions to the proposed fund by as much as $70 million. Whether funds elsewhere are sufficiently large to carry this area's revenue deficits and whether other areas such as Washington and Oregon would like their surplus invested in Idaho and Montana or Alaska, I do not know.

A Means of Resolving these Dilemmas. Many of the problems that could potentially arise may be eliminated if the following words were inserted in the Bill. "It is the policy of the Congress that the Secretary of the Treasury shall only dispense funds for capital expenditures from this Fund where the expected rate of return including all benefits and costs exceeds or is equal to the long term real expected rate of return from the Fund after appropriate revisions for risk and overhead." This should resolve many of the questions of over-roading and potentially de-emphasizing mul-

tiple-use. Also, the language recognizes that only a portion of the national activity will be eligible for investment and therefore may be construed as being more realistic.

Some Brief Points. The following points are of lesser importance, but should also be considered.

A. Instead of turning over unexpended funds after 4 years deposit in this Fund, they should be turned over after 10 years. National Forest receipts are highly volatile and dependent on business cycles (normally 4 to 5 years in length). This would allow "vesting" the Fund around long term expenditure needs as well as providing a longer time base for vesting.

B. The Bill, in its current language, may conflict with other legislation. See the Act of March 4, 1913 (37 STAT. 843, as amended; U.S.C. 501).

Summary. The thrust of S 1141 is to provide a consistent financial base for capital investments on the National Forests. Many of the concerns that will surround the debate on this Bill can be arrested if the intent of Congress is clarified regarding investment efficiency and the relationship between the size of the proposed investment fund and current levels of capital investment. In my opinion, these modifications will strengthen your Bill and aid in the achievement of sound National Forest management.

Thank you for the opportunity to express my views.

SENATOR BAUCUS: The hearing is adjourned.

(Hearing adjourned at 4:30 p.m.)

[By direction of the chairman the following communications were made a part of the hearing record:]

THE REPORT OF

THE NORTH WEST FOREST WORKERS ASSOCIATION

THE FY 1982 REFORESTATION & TIMBER STAND IMPROVEMENT BUDGET

PACIFIC N.W. REGION USFS

BY RICHARD KOVEN, COORDINATOR

NORTH WEST FOREST WORKERS ASSOCIATION

INTRODUCTION

The Northwest Forest Workers Association (NWFWA) believes that, due to recent budget cuts,we in the Northwest can no longer be assured of full reforestation of lands cut over by the U.S. Forest Service (USFS) in Oregon and Washington. Despite optimistic assurances that all is well with our reforestation effort, a look at the facts tells a different story. A recent trend towards underfunding culminates in a disastrous FY (fiscal year) 1982 reforestation and timber stand improvement (TSI) budget and program, one which is significantly deficient in meeting regeneration needs as assessed by the 19 National Forests in the Northwest. The 1982 program is the weakest effort in the last six years.

The Northwest Forest Workers Association here presents the results of its investigation of the FY 1982 reforestation and TSI budget as well as its proposals for reforming that budget. We were concerned that these programs, which are essential for the future of our primary resource as well as immediately of benefit to thousands of reforestation workers and their communities, were not endandered in the present radical budget-cutting binge. Since the federal government gains a net revenue from the Forests of our region, and since monies invested in forest management concribute to the productive strength of the nation, we were surprised by the devastating extent of the reductions in this area.

Oregon is a net exporter of federal tax dollars. Washington, D.C. makes money from our forests. Yet recent federal policies have destroyed the housing market and thus our basic livelihoods, for the time being. We do not think it warranted to further damage our state and region with yet another economic blow, one which would divert funds from immediate employment and productive investment, to unknown ends elsewhere in the federal budget.

Thus we are asking our federal policymakers, specifically U.S. Sen. Mark Hatfield, Chair of the Appropriations Committee, to investigate and propose corrective action for this unfortunate budgeting error.

99-698 O—82——9

NWFWA FINDINGS

* The USFS Region VI (Oregon and Washington) 1982 program for reforestation and timber stand improvement (TSI) provides for funding of $50,633,000 and programmed work on 168,400 acres. (Appendix 1.)

* The actual needs for reforestation and TSI, as assessed by the USFS, call for funding at an estimated level of $65,369,000 and programmed work on 197,367 acres. (Appendix 2.)

* The 1982 program could therefore be underfunded by $14,736,000 and underprogramed by 28,967 acres. (Table 1.)

* The 1982 program is 15 per cent smaller in acreage, and 23 per cent lower in funding than the estimated needs of the region (Table 1.)

* The 1982 program is 38 per cent smaller in acreage output than the Resource Planning Act goal of 270,000 acres the Region set for itself for 1982. (Chart 1.)

* The 1982 program is the smallest reforestation and TSI effort by the FS in Washington and Oregon in the last six years. The 1982 program represents an acreage output equal to 68 per cent of the 1977 program. This continues a six year downward trend. (Chart 2.)

* The 1982 underfunding includes an expenditure reduction of $10,387,000 from the Forest Service's own K.V. account. K.V. funds are deducted from timber sale receipts and dedicated specifically to the reforestation of the timber sale area. Spending K.V. funds does not require Congressional appropriation, but does require Congressional authorization. Funding to Region VI has been insufficient because the Office of Management and Budget (OMB) has "embargoed" a significant portion of these funds.

* The Region VI K.V. account, as of February 1982, has an unobligated balance of $120 million. If these funds are not allowed to be devoted to their intended purpose, they eventually revert to the federal treasury. (Appendix 3.)

* NWFWA believes it has identified a "developing backlog" of land in need of reforestation and TSI treatment, a backlog currently excluded from technical definitions.

* NWFWA believes the Reforestation Trust Fund is of little use in responding to the "developing backlog".

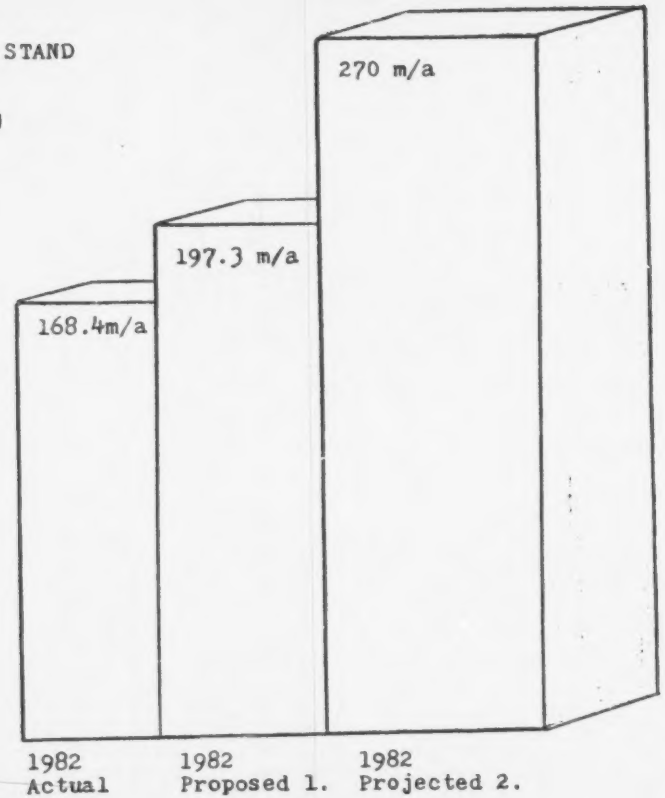
* Oregon and Washington will lose 1,000 year round jobs in the woods as a result of the 1982 reforestation funding shortfall. These 1,000 jobs are in direct employment in conjunction with federal contracts for reforestation and TSI projects. There will be an additional loss of jobs in government service, with suppliers and indirectly, as the region would lose $14 million income.

* Because allowable cut levels are tied to management effort, the funding shortfall will undoubtedly affect the region's future timber supply. Less reforestation means lower harvest levels. Significant damage to the regional economy will ensue.

* The federal government gains substantial sums from the National Forests of Oregon and Washington, after all expenses are paid, yet continually refuses to make the investments necessary to maintain forest productivity. From 1974-1978, the Region had timber receipts totalling $1,968,991,400 while experiencing timber management costs of $731,325,100. The receipts/cost ratio was 2.69. ("Giving Away the National Forests," Natural Resources Defense Council.)

CHART 1

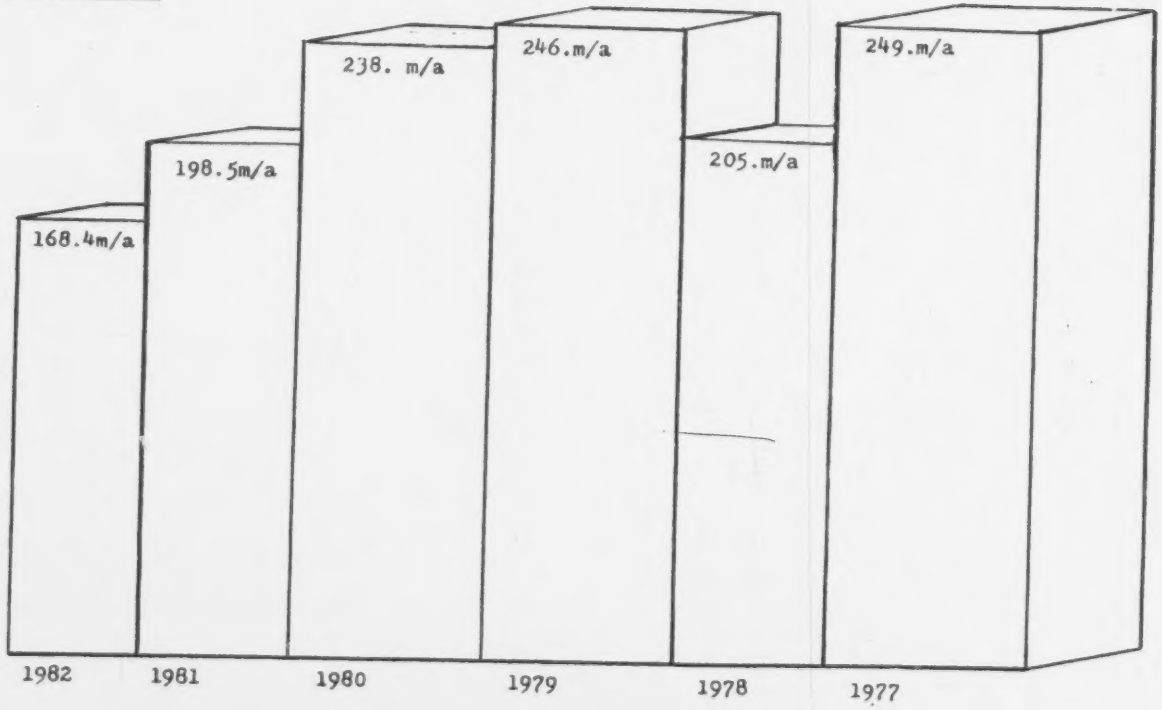
U.S.F.S. REGION 6
REFORESTATION and TIMBER STAND
IMPROVEMENT PROGRAM
(In thousands of acres)



1. The proposed program by Region 6 based on actual needs
2. The program as projected in accordance with R.P.A. goals

* REGION 6 U.S.F.S. *

CHART 2



REFORESTATION and TIMBER STAND IMPROVEMENT PROGRAM
1977-1982
(In thousands of acres)

	CHIEFS BUDGET		TABLE I	PROPOSED REGION 6 BUDGET	
			K. V.		
	ACRES	DOLLARS (in thousands)	% DIFFERENCE ACRES/$	ACRES	DOLLARS (in thousands)
033 Reforestation	64,100	$ 25,110	-20%/+26%	80,222	$ 33,815 **
034 Timber Stand Improvement	31,000	$ 5,943	-16%/-22%	36,695	$ 7,625
KV Sub-Total	95,100	$ 31,053	-19%/-25%	116,917	$ 41,440
			P. & M.		
	ACRES	DOLLARS (in thousands)	% DIFFERENCE ACRES/$	ACRES	DOLLARS (in thounsands)
033 Reforestation	33,300	$ 12,870	+21%/- 8%	27,454	$ 13,917
034 Timber Stand Improvement	40,000	$ 6,710	-25%/-33%	52,996	$ 10,012
P&M Sub-Total	73,300	$ 19,580	- 9%/-18%	80,450	$ 23,929
Combined Total	168,400	$ 50,633	-15%/-23%	197,367	$ 65,369

** Recently updated to $42,282,000 see discussion page 10

DISCUSSION

The actual 1982 reforestation and TSI program and budget are part of what is informally called "the Chief's budget." This budget, officially titled "Final FY 1982 Allocation," was issued by the Chief of the Forest Service on December 31, 1981. The Chief's budget allocates the Congressional appropriation among the nine regions of the F.S. Congress appropriated $118,344,000 for reforestation and timber stand improvement, down slightly from FY 1981.

Congress also provides authorization for expenditures from the K.V. fund, which differs entirely from the appropriation for reforestation and TSI. The Chief's budget distributes the appropriation and authorization granted by Congress and approved by the Office of Management and Budget (OMB). (See Appendix 4, Chief's Budget.)

However, the authorized level falls short of what the USFS, Region VI estimates to be necessary for a fully funded and fully programmed target for reforestation and TSI. This estimate is officially titled "Alternative 3" and, along with alternatives one and two, is the preliminary budget submission of the 19 National Forests of Region VI to the Regional Forester, who in turn submits it to the Chief's Office. Alternative 3 represents an optimum level of funding. (Appendix 2, Alternative 3)

Since this estimate was submitted in June of 1981, we felt is necessary to review its current accuracy. We wanted to determine whether the logging slowdown or other factors had invalidated the Alternative #3 estimates. Accordingly, NWFWA conducted an extensive survey of the 19 Forests of Region VI in December 1981. We asked, is alternative #3 still your best estimate of a fully funded and programmed reforestation and TSI program?

The results of our survey indicate that the level of need identified in Alternative 3 is still current. We found that there were minor reductions in available reforestation sites, but, that overall the needs for reforestation and TSI had, in fact, increased by some $3,012,000 with an additional 7,997 acres targeted for treatment.

We also, more recently, asked the Region VI timber management office its opinion of the current validity of Alternative #3. In a letter dated January 29th, Mr. Ronald Johnson of that office replied,"The Alternative #3 levels.... are still our best estimate of capability with full funding." (Appendix 4.) Thus, we are confident that the funding requirements displayed in the so-called Alternative #3 are an accurate estimate of the region's reforestation and TSI needs. *

* (an even more recent update of Alternative 3 indicates that K.V. Funding levels for reforestation are now increased by $4,400,000 for seed cone collection and $1,700,000 for wildlife habitat improvement. It would also be prudent at this point, six months after the original estimates, to increase these levels further due to inflation.)

WHAT IS THE K.V. FUND?

This is a special fund, arising from timber sales receipts rather than from general appropriations from the Treasury. The Knutson Vandenberg Act of 1930 allows the Secretary of Agriculture to require purchasers of federal timber to make deposits in order to cover the costs to the government for tree planting, vegetation management, site preparation, and stand maintenance and improvement on sites where timber is harvested. According to the law, "Such deposits shall be covered into the Treasury and shall constitute a special fund, which is appropriated and made available until expended, to cover the costs to the United States of such tree planting, seed sowing, and forest improvement work..." (USC 16,576 B).

Before a timber sale is sold and harvested FS personnel make an assessment of what will be needed to restore the site to a productive young stand of trees. This assessment includes a projection of costs, which is then used to figure the amount of money to be deposited from the timber sale receipts into the K.V. fund. That money is then available exclusively for reforestation, TSI and certain other wildlife habitat improvements and seed cone collection allowed under NFMA (National Forest Management Act).

In the past five years, Region VI collections for the K.V. fund have ranged from 10 to 12 per cent of timber sale receipts. However, collections for the K.V. fund have consistently exceeded K.V. expenditures. In fact, the unobligated balance, or "surplus", in the Region VI K.V. fund has grown from $57 million in 1978 to $120 million at present.

The principal reason for such dramatic growth in the K.V. fund balance is the artificial expenditure limitation imposed on the fund by the federal budgetary process. This arbitrary limitation does great damage to the Northwest. Remember, these funds can only be used for the reforestation and improvement of harvested timber lands. A government forester has made a silvicultural prescription for each harvested site, including what it will cost to restore each site to productivity. When our National Forests are denied these funds necessary work goes undone and future productivity is threatened. When future productivity is threatened, current harvest levels are lessened. We lose valuable jobs in the reforestation industry, and we lose valuable jobs in harvesting and processing. Remember too, that after ten years the K.V. fund reverts to the federal treasury and is thus permanently lost to our region.

This arbitrary limit on the K.V. fund amounts to a concealed federal tax on our region, and shortchanges the needed investment in future forest productivity. Our reforestation funds may disappear into the unknowns of the larger federal budget.

THE DEVELOPING BACKLOG

Confidence prevails over several federal efforts to treat the so-called backlog of unreforested land. While the old backlog is being resolved, a new and hitherto unnoticed backlog is developing due to the underfunding of more recent reforestation needs.

The National Forest Management Act of 1976 (NFMA) defines the "backlog" as those reforestation needs which were generated prior to July 1, 1975. The Act proposed to meet those needs, to reforest those backlog lands, by 1985. The FS's ability to make that 1985 deadline depends on the level of Congressional appropriation. Although the FY 1982 budget will most likely set back the schedule, achievement of the 1985 target date is still possible. The Region VI backlog is now about 75,000 acres.

The NFMA also mandates that the FS keep up with reforestation needs generated after 1975, the so-called "current maintenance needs." This current maintenance needs category includes only those sites where a silvicultural prescription has determined an actual need for reforestation or TSI. Anticipated needs, such as sold but unharvested timber sales, are not included in the "current needs" category.

The inventory of current maintenance needs is increased by 1.) the generation of new needs (i.e., timber harvest), 2.) the identification of new needs (i.e., through silvicultural examinations) and 3.) the addition of backlog acres to the current needs category. The latter addition occurs when a backlog need (created prior to 1975) is treated and then is identified as requiring further treatment.

The rate of growth of the inventory of current needs is accelerated when the inventory of needs exceeds the program for meeting those needs. This is precisely what is occurring under the current program underfunding. The Region VI current needs inventory for reforestation and TSI stands at about 500,000 today. The size of this inventory clearly indicates that since no recent nor any expected annual program approaches 500,000 acres, the inventory will be carried indefinitely into the future as a "backlog".*

The Region VI program for FY 1982 calls for 168,000 acres of treatment, 30,000 short of what the Forests indicated was desirable under Alternative 3. Thus the result of the FY 1982 funding shortfall is an increase in the current needs inventory. Not only will the region be unable to arrest the natural growth of that inventory,

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* An interesting quirk in this process is that the inventory of current needs may actually be reduced by the defferal of treatments. This is so because when treatments are deffered long enough they may become either no longer fesible or practical from the standpoint of efficacy. Therefore, while those needs will be erased from the inventory of current needs, and while the inventory may be reduced it will not be because of accomplishment but because we have forgone the opportunity for effective treatment. It would be a mistake then to identify a reduced inventory of current needs as the mark of a successful forest management program, when it in fact may represent the precise opposite condition.

also it will be unable to reduce the backlog in that inventory created by underfunding in preceeding years.

This discrepancy between the needs inventory and the actual annual program creates what one could call a hidden backlog. It is a backlog because the inventory of needs exceeds that which can be currently serviced. It is hidden because these acres are not technically defined as a backlog under the NFMA. Since this need was not generated before 1975, it is not reported to Congress as a backlog.

Thus the FS may correctly indicate that it is well on the way to meeting the 1985 deadline for eliminating the "backlog" as defined by the NFMA. The FS can also indicate that it has met or even exceeded the annual target for reforestation and TSI accomplishments --- simply because the annual target is determined by the funding level appropriated by Congress.

However, beyond these two technical and legally-defined backlogs, an additional actual backlog is developing as well. This developing backlog has so far not been publicly reviewed. It exists and grows despite the legislative mandate of the NFMA. This backlog exists and grows precisely because the federal budgeting process has failed to properly fund the regeneration of our National Forests.

DEFERRAL OF THINNING

One way the hidden backlog manifests is through the deferral of precommercial thinning treatments. Reforestation takes silvicultural priority over thinning. Thus underfunding for forest management tends to defer immediately necessary thinning treatments. While thinning may be deferred for several years, the delay may cause significant losses in stand productivity. Too long a delay can mean complete loss of the opportunity for effective thinning treatment. When the productivity of young stands is reduced below expected levels, the allowable cut levels on that same forest will be comparably reduced. It is our understanding that the allowable cut level on the Umpqua N.F. is in danger of being lowered precisely for this reason. Reduction in allowable cut of course inflicts economic damage on timber-dependent regions.

Deferral of thinning treatments has a more direct employment impact as well. Pre-commercial thinning is labor intensive. A contract for a thousand acres will keep a crew of 15 people employed for four months. The present wood products slump has put many loggers and tree planters out of work. Rather than idling this skilled workforce and deferring cost-effective investments in forest productivity, we should instead act with some economic rationality.

We believe that a vastly expanded thinning program should be funded and programmed for the Summer of 1982, one which would employ Oregonians, and increase productivity and future wealth.

We know of no better local investment. Yet as it stands now, we can expect the skimpiest thinning program in years.

REFORESTATION TRUST FUND

Besides the K.V. fund and Congressional appropriations there is of course the "Reforestation Trust Fund," established under the sponsorship of U.S. Senator Bob Packwood. This trust fund, financed by tariffs on imported lumber products, was supposed to fill the gap between appropriation and need. The fund is currently in excess of $40 million, according to our understanding, and no monies have yet been expended from the trust for the purposes intended.

The fund can only be used for the technical backlog (needs generated prior to 1975) or for reforesting currently harvested sites. As we have seen, that is not where the great need lies. It is exactly the developing backlog which we have defined that the fund is unable to touch. Without further Congressional action, it seems to us that the reforestation trust fund will remain a useless vehicle for meeting the shortfall in reforestation funding.

RECOMMENDATIONS

We recommend the following:

1. That the USFS Region VI reforestation and timber stand improvement budget and program be restored to full capacity for FY 1982.

2. That the OMB quickly release additional funds for an expanded thinning program this summer, so we can begin to catch up on the developing thinning backlog and put our idle woods workers back to work.

3. That the 1983 reforestation budget be funded at full capacity plus an additional appropriation to further eliminate the developing backlog.

4. That the Reforestation Trust Fund be revised, so it may be of greater practical use.

99-698 O—82——10

CONCLUSION

"Management of the National Forests has never been given a high priority by any administration... we spend only ten cents for each dollar spent by the industry... we know what to do, but we are not fianced to do it," so says retiring Regional Forester Richard Worthington, according to a recent editorial in the Eugene Register-Guard. (Appendix 5.) In a climate which recommends that public policy emulate the private sector, it is surely ironic that federal investment in forest management is being reduced rather than increased.

NWFWA does not pretend to hide its "special" interest in full funding for reforestation. We need work. The timber depression has hit us as hard as it's hit anyone. We were particularly hurt by the administration's unilateral decision to extend timber sale contracts, a hasty policy of immediate benefit to investors perhaps, but not to woods workers, millworkers or tree planters. But the administration's 1982 reforestation budget proposal is, in our view, even less well founded than the timber sale contract extension.

Washington D.C. is restricting the use of funds generated here and dedicated to the regeneration of our primary resource. We are not asking for anyone's tax money, rich or poor, to finance some social experiment. We are asking that the region be allowed to keep and reinvest its wealth rather than having it shipped away to the Federal Treasury.

It's time to shine a light on continued forest management funding shortfalls. We hope this report will help provoke public discussion of the problem.

APPENDICES INTRODUCTION

These documents were obtained as a result of several requests for information made by NWFWA, in the course of it's investigation of the federal reforestation budget.

Agriculture

6520 Financial Management

Date DEC 3 1 1981

Final FY 1982 Allocation

By monday Jan 11 finish out on TGT's and Fund adj TO YPCB By JAN 15 w/back page 6

Regional Foresters and Area Directors

see page 2

REPLIES DUE January 21 and February 5, 1982

APPENDIX 1 a.

Enclosed is the FY 1982 final allocation, including key outputs and activities. In those cases where the final allocations are unacceptable, you should be prepared to discuss those specific issues with us on January 29. In developing the final distribution, staffs utilized the June 17 tentative allocation, units' narrative and ADP data base responses to the allocation, and subsequent information submitted by units on specific issues.

Highlights of this package include:

-Program objectives, guidelines, and specific funding information for each budget activity.

-Establishment of target and funding negotiation process which will result in finalized targets by January 29, 1982.

-Instructions on implementation of the General Administration appropriation. GET w/ondia.

-Personnel and travel ceilings have been reduced by 5.6 and 6.5 percent respectively.

-Timber offered target has been reduced from 11.9 BBF to 11.0 BBF.

-Budget reflects the deemphases on engineering road reconstruction activities.

-CWFS-KV Program is $20 million below field needs. An appeal is being sent to OMB requesting additional obligational authority.

-One to three million dollars of the budget shall be used to carry out the Youth Conservation Corps as if authorized by the Act of August 13, 1970, as amended by PL 93-408.

-There is a strong possibility that we will receive no Pay Act supplemental appropriation in FY 1982.

Specific Budget Information and Issues

While this represents the final FY 1982 budget allocation, there are several issues still remaining to be resolved or completed. These include:

APPENDIX 1 c.

FY 1982 Final Distribution
(All Dollars)

Activity	Unit of Measure	R4 Outputs	R4 Dollars	R4 General Admin.	R5 Outputs	R5 Dollars	R5 General Admin.	R6 Outputs	R6 Dollars
National Forest System									
Total Facilities Construction	-	-	1958	(186)	-	5,727	(441)	-	1965
Road & Trail Construction:									
Road Construction	Miles	-	14,768	-	-	45,031	-	-	85,963
Trail Construction	Miles	28	77	-	75	2,163	-	67	770
Total Road & Trail Const.	-	-	14,845	(2,080)	-	47,194	(1,565)	-	86,733
Timber Purchaser Road Const. 1/	Miles	(-)	(7,000)	-	(-)	(45,000)	--	(-)	(101,200)
Timber Purchaser Const. by FS	Miles	-	-	( )	-	-	( )	-	37,500
Land Acquisition:									
Acquisition Management	-	-	300	-	-	640	-	-	200
Acquisitions	Acres	-	-	-	-	-	-	-	-
Total Land Acquisition	-	-	300	( )	-	640	( )	-	200
Acquisition of Lands, Spec. Acts	Acres	95	58	( )	575	666	( )	-	-
Acquisition of Lands to Complete Land Exchanges	-	-	-	( )	50	31	( )	-	-
Rangeland Improvements	Acres	21	1,719	( )	21	450	( )	21	541
Misc. Trust Funds	-	-		( )	-		( )	-	
Brush Disposal	Acres	43,409	1,922	( )	40,000	9,143	( )	343,163	26,204
Timber Salvage Sales	MMBF	-	850	( )	-	9,040	( )	-	5,074
Pongaea Timber Sale Fund	MMBF			( )			( )		
& C Grant Lands	-					9			1,991
Sale Area Betterment (K-V):									
Reforestation	Acres	7300	2,295	-	2,500	6,040	-	64,100	25,180
Stand Improvement	Acres	1,005	1,275	-	10,200	2,320	-	31,000	5943
Other	-	-	239	-	-	525	-	-	1,270
Total SAB (KV)	-	-	3,829	( )	-	8,885	( )	-	32,323
Cooperative Work - Other	-	-	376	( )	-	8,500	( )	-	12,385
National Forest System									
Total All Accounts	-	-	105,002	( )	-	266,559	( )	-	383,641
			+ 7,000 1)			+ 45,000 1)			+ 101,200 1)
			12,002			311,554			484,841

1/ Non-additive to Budget.

APPENDIX 1 b.

FY 1982 Final Distribution
(All Dollars)

APPENDIX 1 b.

Activity	Unit of Measure	R4 Outputs	R4 Dollars	R4 General Admin.	R5 Outputs	R5 Dollars	R5 General Admin.	Outputs	Dollars	... Admin.
tional Forest System Prog										
forestation & Stand Impv.										
Reforestation	Acres	15,000	5,780	-	22,300	9,330	-	33,300	12,870	-
Timber Stand Improvement	Acres	9,500	1,450	-	18,900	2,880	-	40,000	6,710	-
Nursery Management	-	-	300	-	-	500	-	-	850	-
Tree Improvement	-	-	60	-	-	1,630	-	-	5,700	-
Total Reforest. & Stand Impv.	-	-	7,590	(1,273)	-	14,340	(2,323)	-	26,130	(3,815)
creation Management:										
Developed Recreation - PSL	MM PAOT Days	5,126	9,677	-	1,363	16,598	-	5,238	11,252	-
Developed Recreation - RSL	MM PAOT Days	6,874	-	-	28,254	-	-	7,527	-	-
Dispersed Recreation -	-	-	2,400	-	-	5,372	-	-	354	-
Wilderness Management	MM Acres	3.4	435	-	2.1	1,416	-	3.2	714	-
Cultural Resource Management	MM Acres	.003	920	-	.656	2,374	-	.507	1,109	-
Total Recreation Management	-	-	12,832	(2,877)	-	25,780	(3,425)	-	13,432	(1,90
ldlife & Fish Habitat Mgmt:										
Administration	-	-	3,089	-	-	3,551	-	-	4,175	-
WL Habitat Improvements	Acres Eqv.	93,869	1,262	-	176,975	891	-	56,650	127	-
Fish Habitat Improvements	Acres Eqv.	159	204	-	1,184	1,267	-	966	874	-
Endangered Species Hab. Impv.	Acres Eqv.	212	387	-	4,849	372	-	2,407	16	-
Total WL & Fish Hab. Mgmt.	-	-	4,942	(1,005)	-	6,031	(829)	-	5,192	(73
nge Management:										
Permitted Livestock Grazing Use	M AUM's	2,280.0	6,587	-	5400	1,261	-	720.0	3,345	-
Range Forage Improvements	M Acres	29.9	1,198	-	10.0	1,062	-	61.3	-	-
Range Structural Improvements	M Acres	497.8	1,096	-	67.3	354	-	6,296	221	-
Wild Horse & Burro Use	M AUM's	12.0	71	-	1.5	-	-	2.2	128	-
Noxious Farm Weed Control	M Acres	2.6	268	-	.5	35	-	1.2	216	-
Total Range Management	-	-	7,222	(1,455)	-	2,712	(387)	-	3910	(6
oil & Water Management:										
Administration	-	-	2,267	-	-	3,179	-	-	4,975	
Improvements	Acres	500	225	-	450	443	-	1,490	428	
Inventories	M Acres	3,179	1,666	-	2,684	2,197	-	1,566	644	
Total Soil & Water Mgmt.	-	-	4,158	(592)	-	5,819	(577)	-	5,997	(8
onstruction acilities										
Adminis..ation	-	-	1,557	-	-	4,200	-	-	1,330	
	-	-	901	-	-	1,527	-	-	635	

APPENDIX 2.

ALTERNATIVE 3

Appropriation Function	(13538) 202 030	031	032	037	275 033	034	035	224 036	033	034	234 038
Allocated Amounts											
21 Colville	869	392	8	162	620	717	0	50	507	259	138
01 Deschutes	1081	599	156	417	583	491	27	250	2454	385	337
02 Fremont	787	646	109	246	624	55	0	240	1570	550	150
03 Clifford Pinchot	1821	1445	116	376	3387	1880	1285	353	2411	151	186
03A G.P. VOLCANO (@ $35,000)											
04 Malheur	1176	755	37	219	194	180	0	50	517	850	135
05 Mt. Baker Snoqualmie	1297	680	4	280	342	652	0	460	1130	98	200
06 Mt. Hood	2394	607	85	462	391	332	0	200	2860	2.5	562
07 Ochoco	798	411	425	216	90	66	0	426	450	398	100
08 Okanogan	614	599	73	130	34	69	0	58	203	269	0
09 Olympic	1582	779	73	283	495	757	0	197	2138	17	149
10 Rogue River O/C	1607	658	51	359	628	464	674	328	3263	200	165
11 Siskiyou O/C	1446	755	53	183	994	530	0	457	2065	400	132
12 Siuslaw	1463	922	63	113	400	641	0	15	1716	2192	180
14 Umatilla O/W	1439	196	125	159	363	85	0	50	512	250	465
15 Umpqua	1648	1096	44	225	1038	800	0	870	1464	103	140
16 W-Whitman	1294	637	52	687	617	265	0	50	1463	539	295
17 Wenatchee	1093	690	12	206	762	445	0	355	765	172	100
18 Willamette	5310	2756	90	330	1779	1371	0	394	7062	480	1806
20 Winema	960	270	37	267	576	212	0	133	1265	310	40
WORKING TOTAL	28,679.	14,693.	1,613.	5,310.	13,917.	10,012.	1,986.	4,936.	33,815.	7,625.5	5,270.
CA											
LAP											
REGIONAL GRAND TOTAL (B)											
TARGETS											
21 Colville	90.2	105.8	0	50,000	699	4303	0	0	1037	1100	12.8
01 Deschutes	176.8	170.5	0	90000	2289	3452	0	0	7482	3104	41.2
02 Fremont	155.0	182.0	0	67000	565	300	0	120	1840	2160	8
03 Clifford Pinchot	479.0	479.0	0	70000	6193	2904	0	433	6727	658	5.5
03A G.P VOLCANO (@140.5)											
04 Malheur	199.0	172.5	0	67500	450	1137	0	0	1162	4330	9.0
05 Mt. Baker Snoqualmie	276.0	280.0	0	47000	1140	2965	0	0	3709	40	12.0
06 Mt. Hood	400.9	349.0	0	76700	551	1968	0	0	5752	10	21.1
07 Ochoco	137.0	123.0	000	45700	1250	572	0	0	670	2480	3.8
08 Okanogan	82.0	75.0	0	38706	30	595	0	55	990	2380	0
09 Olympic	365.0	372.0	0	13900	1475	8150	0	110	6185	225	6.0
10 Rogue River O/C	216.0	232.3	0	55300	937	464	32	615	3263	200	18.4
11 Siskiyou O/C	210.6	199.0	0	24902	1555	3118	0	317	3080	3117	2.4
12 Siuslaw	406.4	386.0	583	35000	81	3627	0	58	3820	5796	9.4
14 Umatilla O/W	141.0	180.0	884	42400	1675	250	0	100	2325	1000	31.0
15 Umpqua	383.0	300.0	0	54000	1878	4320	0	0	3815	890	10.0
16 W-Whitman *	186.7	200.0	1	199700	617	1463	0	295	2609	2538	25.7
17 Wenatchee	185.4	143.0	0	60000	2137	1849	0	0	3000	861	10.6
18 Willamette	1456.0	1300.0	0	72648	2886	10809	0	0000	20000	4000	78.4
20 Winema	160.0	118.0	1	82000	1046	750	0	260	2756	1807	3.6
TOTAL TARGET (MBF)	5,706.0	5,367.1	1,469	1,192,456	,454	52,996	32.0	2,363	80,222	36,696	108.9

APPN									
	*	38293.82	.00	.00	25519.96	.00	12773.86	7269.95	5503.91
0224	01	6580154.27	969239.31	.00	705695.11	.00	6843698.47	891681.34	5952017.13
0224	02	9590665.99	1313427.07	90.00	667872.83	.00	10236310.23	490889.60	9745420.63
0224	03	5888242.55	1320985.33	854.00	3599B0.74	.00	6850101.14	313841.84	6536259.30
0224	04	5383299.96	437852.60	.00	311953.78	.00	5503198.78	536679.18	4966519.60
0224	05	6579867.47	760991.53	.00	301101.80	.00	7039757.20	411925.05	6627832.15
0224	06	10688286.42	1427140.93	.00	455277.83	.00	11680149.52	413953.20	11266196.32
0224	07	4194482.62	1102114.08	.68	325870.87	.00	4970726.51	147733.77	4822992.74
0224	08	2583082.26	170921.41	1.77	212271.59	.00	2541733.85	130668.23	2411065.62
0224	09	3601545.44	431100.00	3.41	439314.05	.00	3593334.80	504681.19	3088653.61
0224	10	8197069.68	2172136.05	.00	6572B1.86	26.58-	9712050.45	252708.23	9459262.22
0224	11	7645765.14	523321.47	26.58	417693.69	.00	7751619.50	650771.05	7100848.45
0224	12	11181787.22	1309114.56	.00	740195.02	.00	11750706.76	455405.69	11295301.07
0224	14	2845173.05	824701.95	.00	201626.11	.00	3468250.89	296932.84	3171318.05
0224	15	5719719.86	661102.54	321.59	423988.67	.00	5957155.32	369923.53	5587231.79
0224	16	7959816.56	1094212.53	.00	322260.18	.00	8731768.91	292289.89	8439479.02
0224	17	2494839.80	244375.78	87.02	175025.03	.00	2564277.57	157613.82	2406663.75
0224	18	9787488.23	1325327.11	13370.42-	854173.91	.00	10245271.01	1331767.15	8913503.86
0224	20	5754681.73	425700.00	126.00	341850.41	.00	5836657.32	319228.37	5519428.95

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U.S. FOREST SERVICE

REGION 06 REGIONAL APPROPRIATION CONTROL PERIOD ENDING DEC 31, 1981

APPN	UNIT	OPERATING PLAN	REVENUES REIMBURSEMENTS	EXPENDITURES	ADVANCES	BALANCE	AMT OF UNPAID OBLIGATIONS	UNOBLIGATED BALANCE
0224	21	3588734.35	443553.00	10.15	216800.79	.00	3815496.71	115628.22	3699868.49
0224	27	353158.32	.00	1082.39-	178971.24	.00	173104.69	251653.50	78548.81-
0224	98	12816.96-✓	.00	.00	.00	.00	12816.96-	.00	12816.96-
APPN	* ✓	120603043.96	16951337.25	12931.61-	8289123.51	26.58-	129254332.67	8336035.69	$ 120918296.98
0225	01	576719.95	32869.65	.00	125625.05	.00	483964.55	8677.18	475287.37
0225	02	681310.04	312024.38	.00	261251.51	.00	732082.91	39388.80	692694.11
0225	03	3971158.60	661679.20	.00	644520.43	.00	3988317.37	280478.34	3707839.03
0225	04	594975.87	46559.96	.00	60683.93	.00	580851.90	4650.00	576201.90
0225	05	1897204.19	275568.60	.00	248030.80	.00	1924741.99	134137.08	1790604.91
0225	06	1738991.40	357343.28	.00	361552.31	.00	1734782.37	192379.22	1542403.15
0225	07	750250.01	50232.00	302.53	23072.33	.00	777692.21	10428.13	767264.08
0225	08	427789.84	29410.81	.00	95800.66	.00	356539.99	12171.55	344368.44
0225	09	2549155.89	402871.32	.00	276441.35	.00	2675585.86	139465.93	2536119.93
0225	10	1594758.43	169600.80	.00	40916.25	.00	1723444.98	20744.02	1702700.96
0225	11	839299.70	104432.25	.64	233242.42	.00	710490.17	110555.78	599934.39
0225	12	1248496.35	201085.12	1008.00-	206506.15	.00	1261267.32	204432.76	1056834.56
0225	14	838766.00	120505.99	.00	153882.73	.00	805389.26	119851.02	685538.24
0225	15	1814060.64	319621.61	.00	233101.87	.00	1900580.38	198234.73	1702345.65
0225	16	519674.72	205633.05	.00	55195.13	.00	670112.64	75220.19	594892.45
0225	17	1051827.57	61359.19	54.39	83043.68	.00	1030197.47	11489.24	1018708.23
0225	18	1462208.40	720550.27	90.77-	428594.31	.00	1754073.59	257298.68	1496774.91
0225	20	136307.61	4110.21	200.00	43500.33	.00	97117.49	670.80	96446.69
0225	21	216696.68	6900.29	.00	19389.57	.00	204207.40	1435.96	202771.44
0225	27	137070.13	.00	60.86	413366.05	.00	276235.06-	453459.41	729694.47-
0225	98	79296.76-✓	.00	.00	.00	.00	79296.76-	.00	79296.76-

United States Department of Agriculture
Forest Service
Pacific Northwest Region
319 S.W. Pine
P. O. Box 3623
Portland, OR 97208

Reply to 6520(TM)

Date January 29, 1982

APPENDIX 4

Mr. Rick Koven
Northwest Forest Workers Association
Oregon Chapter
795 Willamette, Rm. 310
Eugene, OR 97401

Dear Mr. Koven:

The alternative #3 levels you refer to in your letter of January 15 are still our best estimate of capability with full funding.

The acre figures are as of June and have not been updated since the total dollar needs shown are above final budget allocation. In my opinion, the acres of need expressed in alternative #3 are still reasonably valid subject to minor variations due to lack of logging activity. The dollar needs are probably within the ballpark considering that we have had an additional one-half year of inflation since they were assembled.

The current K-V balance as of December 30, 1981, is enclosed as you requested. The "Unit" number listed is the same as the "Forest" number. Alternative 3 sheet is also enclosed.

Sincerely,

R. S. Johnson

RONALD S. JOHNSON
Forester

Enclosures

Senator BAUCUS. The hearing is adjourned.

[Hearing adjourned at 4:30 p.m.]

[By direction of the chairman, the following communications were made a part of the hearing record:]

POTLATCH CORPORATION STATEMENT

to the

SENATE FINANCE COMMITTEE

relating to the

NATIONAL FOREST INVESTMENT FUND ACT S.1141

Potlatch Corporation supports the passage of the National Forest Investment Fund Act, S.1141 because:

1. It will result in more consistent funding for national forest capital improvement projects. The appropriation process for such projects as reforestation, timber stand improvement, and capital investment roads will become less of a tug-of-war during the annual budget process. Consequently, projects included in the capital expenditures budget would have greater assurance of being completed even though they may require more than one year.
2. This legislation will help funding remain near RPA recommended levels. The fiscal '82 budget and the proposed fiscal '83 budget are funded at levels substantially below those recommended by RPA. Reducing these shortfalls will vastly improve the U. S. Forest Service's ability to increase forest usefulness for all users and help assure our industry of a continued supply of raw materials.

	FY 82	FY 83	RPA Level	RPA %
Timber Stand Improvement	$ 22,334	$ 23,075	$ 46,257	50
Facilities Maintenance	11,717	13,663	25,656	52
Recreation Use	88,294	97,935	194,648	50
Road & Trail Maintenance				
Roads	63,167	61,640	119,715	51
Trails	10,719	7,785	21,672	36
Road & Trail Construction				
Roads	232,917	271,575	371,427	73
Trails	3,935	4,864	20,359	24

3. Passage of this legislation will help stabilize local employment levels in timber dependent communities. Because timber stand improvement, reforestation, road and trail maintenance, and capital investment road projects are normally done through the letting of contracts, local employment will be enhanced in timber dependent communities during times of economic recession. The high unemployment levels which might normally be expected could be reduced by the work provided as the result of this Act.

We are somewhat concerned that this Act may result in some duplication of the activities currently funded under the Knutsen-Vandenberg Act (reforestation, timber stand improvement, fish and wildlife enhancement, etc.). We're also concerned that funds of this nature may be consumed in supporting the U. S. Forest Service staff at national, regional, and local levels. We would hope for some assurance that these concerns could be alleviated.

In summary, we support the bill's concept and will welcome the opportunity to work closely with our congressional delegation and the committee to accomplish the goals outlined at the time of its introduction.

August 31, 1982

Senator Max Baucus
U.S. Senate
1107 Dirkson Building
Washington, DC 20510

Dear Senator Baucus:

Our group has recently had an opportunity to review your proposed National Forest Investment Fund Act and we have several concerns. We agree with your statement that long term neglect is often overlooked in favor of short term concerns. However, in Montana forests, the neglect has more often than not been for wildlife values. We are alarmed by your statement that the fund would help national forests reach their true production potential of one-third more timber and twice as much forage for grazing. We do not argue that forests are capable of greater commodity production but these are usually realized to the detriment of recreational and wildlife values. Furthermore, we feel that the economic benefits of managing National Forests for wildlife and recreation may already be greater than those realized from timber and grazing. This is particularly true of east side Montana forests where marginal timber productivity often requires greater expenditures to harvest timber than are realized by the sale. The fact that the forest service has fallen behind in their regeneration program is partial evidence of this as is the need for capital investment to build roads. Surely regeneration costs and roading should be born out as part of the expense of harvest. These costs should be carefully scrutinized relative to the revenue generated. We are strongly against deficit timber sales not only because of the impacts on wildlife but also because they do not make good economic sense.

We point out that the ever increasing need for more restrictive hunting and fishing regulations in Montana forests and streams is clear evidence of the rapid increase in demand for quality recreational opportunity. Perhaps it is time to begin managing Montana forests to reap the economic benefits of wildlife and recreation.

There are also portions of your proposed bill that we feel have merit. We do not object to rangeland improvements that restrict cattle from riparian areas and prevent erosion and sedimentation. We also feel that funds for wildlife management and some recreational development would be useful. We suggest that you add to the uses of funds the purchase of important big game winter ranges and inholdings that are now in private ownership and promotion of the wildlife and recreational opportunities in Montana forests.

HELENA FOREST CONSERVATION COALITION
P.O. BOX 1257 • HELENA, MT 59624

In summary, we are not against timber harvest and grazing but we think that these programs should be restricted to areas where revenues exceed expenditures and where the economic gains of development do not exceed the economic losses resulting from diminished recreational opportunity. We think that the importance of recreational opportunity to the economy of Montana is often overlooked and that the potential economic value of recreational resources is far greater than most of us generally imagine. You do not have to look far in more developed eastern states to see examples of what people are willing to pay to escape to more pristine, natural, and spiritually lifting settings. We think that National Forests can and should take greater advantage of this in their management direction.

Sincerely yours,

Glenn R. Phillips
Coalition Representative

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